

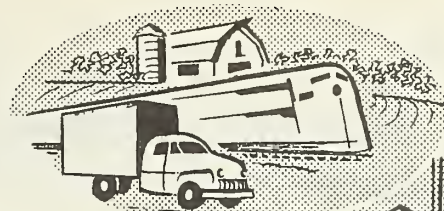
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MARKETING and TRANSPORTATION SITUATION



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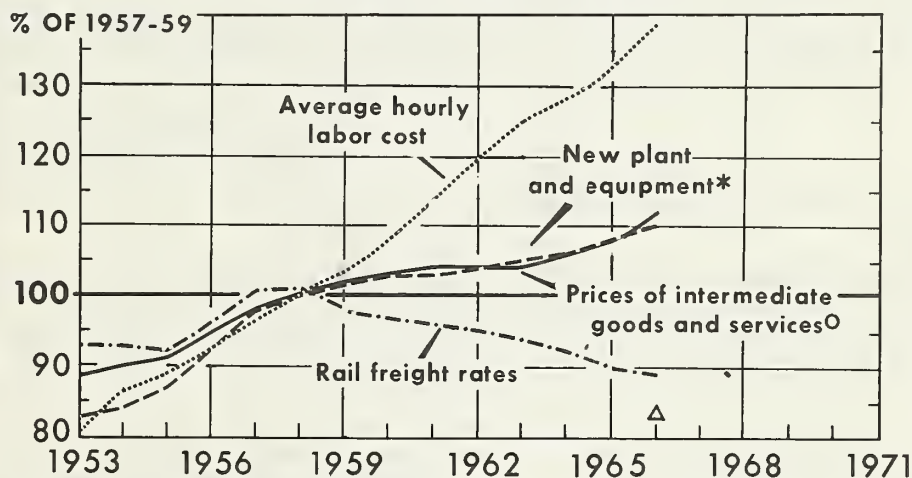
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For A.M. Release, November 9, 1967

Hourly cost of the labor (including fringe benefits) engaged in marketing farm foods increased 4.5 percent in 1966, compared to 3.9 percent in 1965. Labor costs per hour averaged 39 percent higher in 1966 than in 1957-59. However, the output of products marketed per man-hour has increased substantially since 1957-59, holding the increase in labor costs per unit of product marketed to 14 percent. Prices of goods and services (other than labor and raw materials) increased 3.7 percent in 1966. Prices of these items have increased 12 percent since 1957-59. Railroad freight rates continued to decline slightly in 1966.

So far in 1967, prices of inputs purchased by marketing firms have continued to rise. Further increases are expected next year.

PRICES OF INPUTS USED BY FOOD MARKETING FIRMS



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U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2654-67 (8) ECONOMIC RESEARCH SERVICE

1968 OUTLOOK ISSUE

- An Examination of Beef and Pork Price Spread Computation Procedures
- Outlook for Marketing Services and Implications for Food Prices

Published Quarterly by
ECONOMIC RESEARCH SERVICE

U.S. DEPARTMENT OF AGRICULTURE

STATISTICAL SUMMARY OF MARKET INFORMATION

Item	Unit or base period	1966		1967		
		Year	July-Sept.	Jan.-Mar.	Apr.-June	July-Sept.
<u>Farm-to-retail price spreads</u>						
Farm-food market basket: 1/						
Retail cost	Dol.	1,100	1,112	1,082	1,073	1,093
Farm value	Dol.	442	455	415	408	426
Farm-retail spread	Dol.	658	657	667	665	667
Farmer's share of retail cost	Pct.	40	41	38	38	39
Cotton: 2/						
Retail cost	Dol.	2.21	2.21	2.22	2.26	2.28
Farm value 3/	Dol.	.25	.24	.21	.22	.22
Farm-retail spread 4/	Dol.	1.96	1.97	2.01	2.04	2.06
Farmer's share of retail cost	Pct.	11	11	9	10	10
Cigarettes: 5/						
Retail cost	Ct.	---	---	---	---	---
Farm value	Ct.	---	---	---	---	---
Federal and State excise taxes	Ct.	---	---	---	---	---
Farm-retail spread excluding excise taxes	Ct.	---	---	---	---	---
Farmer's share of retail cost	Pct.	---	---	---	---	---
<u>General economic indicators</u>						
Consumers' per capita income and expenditures: 6/						
Disposable personal income	Dol.	2,584	2,598	2,686	2,716	2,747
Expenditures for goods and services	Dol.	2,366	2,384	2,421	2,463	2,486
Expenditures for food	Dol.	472	475	480	483	485
Expenditures for food as percentage of disposable income	Pct.	18.3	18.3	17.9	17.8	17.6
		1966		1967		
		Year	Sept.	July	Aug.	Sept.
Hourly earnings of employees, private sector 7/ ...	Dol.	2.55	2.60	2.68	2.67	2.70
Hourly earnings of food marketing employees 8/ ...	Dol.	2.39	2.40	2.51	2.50	---
Retail sales: 9/						
Food stores	Mil. dol.	5,927	5,947	6,002	6,047	6,070
Apparel stores	Mil. dol.	1,440	1,472	1,538	1,567	1,560
Manufacturers' inventories: 9/						
Food and kindred products	Mil. dol.	6,394	6,274	6,662	6,474	---
Textile mill products	Mil. dol.	3,333	3,322	5/	5/	5/
Tobacco products	Mil. dol.	2,343	2,339	2,373	2,355	---
Indexes of industrial production: 10/						
Food manufactures	1957-59=100	126.6	127.0	129.5	129.0	---
Textile mill products	1957-59=100	142.3	141.7	136.8	138.5	---
Apparel products	1957-59=100	150.3	148.4	142.3	---	---
Tobacco products	1957-59=100	119.8	120.5	123.6	---	---
Index of physical volume of farm marketings	1957-59=100	121	132	116	129	138
<u>Price indexes</u>						
Consumer price index 11/	1957-59=100	113.1	114.1	116.5	116.9	117.1
Wholesale prices of food 12/	1957-59=100	110.7	114.0	110.7	108.8	109.3
Wholesale prices of cotton products 11/	1957-59=100	102.5	103.1	98.9	98.8	99.2
Wholesale prices of woolen products 11/	1957-59=100	106.0	106.1	103.3	102.9	102.7
Prices received by farmers	1957-59=100	110	112	106	106	104
Prices paid by farmers, interest, taxes, and wage rates	1957-59=100	114	115	118	117	117

1/ Contains average quantities of farm-originated foods purchased annually per household in 1960/61 by wage-earner and clerical-worker families and single workers living alone. Estimates of the farmer's share do not allow for direct Federal payments to producers, except for the value of wheat marketing certificates. 2/ Data for average family purchases in 1950 of 25 articles of cotton clothing and housefurnishings divided by number of pounds of lint cotton required for their manufacture; see U.S. Dept. Agr. Mktg. Res. Rpt. 277. 3/ Farm value does not include direct payment to farmers. 4/ The farm-retail spread does not include value of payments-in-kind certificates made to domestic users of eligible U.S. raw upland cotton. This value amounted to 6.5 cents per pound of raw cotton from April 1964 through July 1965 and 5.7 cents from August 1965 through July 1966. Beginning in August 1966, certificates were discontinued and support prices of raw cotton were reduced. 5/ Data will not be published until revisions are completed. 6/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data. 7/ Average hourly earnings of production workers in mining and manufacturing; construction workers in contract construction; nonsupervisory workers in wholesale and retail trade, finance, insurance, real estate, transportation, public utilities and services, Dept. of Labor. 8/ Weighted composite earnings in food processing, wholesale trade, retail food stores, calculated from data of Dept. of Labor. 9/ Seasonally adjusted, Dept. of Commerce. Sales data for 1966 are averages of monthly totals (unadjusted). Inventory data for 1966 are book values at end of year (adjusted). 10/ Seasonally adjusted, Board of Governors of Federal Reserve System. Index for food manufacturers substituted for previously published index for food and beverage manufacturers. 11/ Dept. of Labor. 12/ Fresh and dried fruits and vegetables, eggs, and processed foods; Dept. of Labor.

THE MARKETING AND TRANSPORTATION SITUATION

Approved by the Outlook and Situation Board, October 31, 1967

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SUMMARY

An increase of 2 to 3 percent in the retail cost of the market basket of farm-originated foods is in prospect for 1968. Much of the increase will come from higher prices for meats, chickens, eggs, and fruits. Returns to farmers from the products in the market basket are expected to be slightly higher in 1968 than in 1967.

The spread between the retail cost and farm value of the market basket foods probably will average 2 to 3 percent wider in 1968 than in 1967. Spreads are likely to increase for most products in the market basket.

Costs of performing marketing services probably will go up again next year due to rising prices of major inputs. Hourly earnings of marketing firm employees are likely to rise more than output per man-hour, causing an increase in labor costs per unit of product. Other operating costs are expected to rise.

Farmers probably will receive 38 cents of the dollar that consumers spend for the foods in the market basket in 1968--the same share as in 1967.

In the third quarter of 1967, the retail cost of the market basket of farm foods averaged about 2 percent higher than in the preceding quarter, but it declined about 2 percent from a year earlier. Despite declines in prices received by farmers in August and September, the third quarter farm value of the market basket foods was up 4 percent from the second quarter. However, returns to farmers averaged 6 percent lower than in the third quarter of 1966. The spread between the farm value and retail costs of the farm food market basket averaged about the same as in the previous quarter, but about 1 percent wider than a year earlier. Farmers received an average of 39 cents of the dollar consumers spent in retail food stores for farm-originated foods in the third quarter this year. This was up 1 cent from the previous quarter, but 2 cents less than a year earlier.

This year, the bill for marketing domestic farm-originated foods bought by U.S. civilian consumers increased 5 percent from the previous year, according to preliminary estimates. For the second consecutive year, the increase was significantly larger than the average yearly gain in the past 10 years. The marketing bill this year is estimated at \$58 billion--up \$2.7 billion from 1966. Rising unit marketing charges and expansion in volume of products marketed accounted for the rise. Receipts by farmers for these food products probably will total about \$27.5 billion this year--2 percent less than in 1966. Consumer expenditures for these products are expected to total \$85.5 billion--3 percent higher than 1966.

The bill for marketing farm-originated food products is expected to increase again next year, as a result of a growing volume of products and rising unit marketing charges. Returns to farmers also are expected to rise mainly due to some strengthening in livestock prices.

Profit ratios of corporations manufacturing food, textile-mill products, and apparel averaged lower in the first half of 1967 than a year earlier. For tobacco manufacturing corporations, after-tax profits as a percentage of sales also were down from a year earlier, but profits as a percentage of stockholders' equity were about the same as in the first half of 1966. Profit ratios of leading retail food chains also were lower in the first half of the year.

Marketing firms' costs have continued to rise at a faster rate than in the first half of the 1960s. Hourly earnings of food marketing workers in August this year averaged 5 percent higher than a year earlier. During 1957-66 the average annual increase had been 4 percent. However, improvements in output per man-hour kept labor costs per unit of output from rising as much as hourly earnings. Prices of intermediate goods and services used by marketing firms have increased at a faster rate this year than during 1960-65. After the rapid rise in 1966, short-term interest rates moderated slightly in the first half of this year.

MARKET BASKET STATISTICS--RECENT TRENDS AND OUTLOOK

Retail Prices Rise in Third Quarter

The retail cost of the farm food market basket averaged \$1,093 in the third quarter of this year, up 2 percent from the preceding quarter (table 1). ^{1/} Retail costs of all product groups rose, except those for bakery and cereal products and fats and oils products. Rises were particularly large for meat products, eggs, and fresh fruits.

The retail cost of the market basket foods in the third quarter averaged almost 2 percent lower than a year earlier. On a year-to-year basis, retail costs were lower for all product groups except dairy, bakery and cereal, fresh vegetables, and

^{1/} The market basket of farm foods contains the average quantities of domestic farm-originated food products purchased annually per household in 1960 and 1961 by wage-earner and clerical-worker families and single workers living alone. Its retail value is calculated from retail prices collected by the Bureau of Labor Statistics. Since the market basket does not include the cost of meals in eating places, imported foods, sea foods, and other foods of nonfarm origin, its retail cost is less than the cost of all foods bought per household. The farm value is the return to farmers for the farm products equivalent to foods in the market basket. The farm-retail spread is the difference between the retail cost and farm value. It is an estimate of total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

Table 1.--The market basket of farm foods: Retail cost, farm value, and farm-retail spread, July-September 1967, April-June 1967, and July-September 1966

Items	July-Sept. 1967 ^{1/}	Apr.-June 1967	July-Sept. 1966	Change: July-Sept. 1967 from			
				Apr.-June 1967		July-Sept. 1966	
	Dol.	Dol.	Dol.	Dol.	Pct.	Dol.	Pct.
Retail cost ^{2/}							
Market basket	1,092.85	1,072.71	1,111.95	20.14	2	-19.10	-2
Meat products	323.45	311.94	329.94	11.51	4	-6.49	-2
Dairy products	195.86	195.61	193.68	.25	3/	2.18	1
Poultry	47.05	46.13	50.73	.92	2	-3.68	-7
Eggs	34.90	33.19	43.04	1.71	5	-8.14	-19
Bakery and cereal : products	168.80	170.12	168.42	-1.32	-1	.38	3/
Fresh fruits	48.89	43.48	50.34	5.41	12	-1.45	-3
Fresh vegetables ..	71.29	70.01	69.53	1.28	2	1.76	3
Processed fruits and vegetables ..	115.69	115.13	119.61	.56	3/	-3.92	-3
Fats and oils	38.56	38.97	39.20	-.41	-1	-.64	-2
Miscellaneous products	48.36	48.13	47.46	.23	3/	.90	2
Farm value ^{4/}							
Market basket	426.15	408.19	454.59	17.96	4	-28.44	-6
Meat products	177.72	162.28	183.04	15.44	10	-5.32	-3
Dairy products	93.32	92.39	93.39	.93	1	-.07	3/
Poultry	22.45	22.52	25.71	-.07	3/	-3.26	-13
Eggs	20.76	18.48	28.58	2.28	12	-7.82	-27
Bakery and cereal : products	33.95	35.95	38.92	-2.00	-6	-4.97	-13
Fresh fruits	14.61	13.13	15.58	1.48	11	-.97	-6
Fresh vegetables ..	22.72	22.57	23.15	.15	1	-.43	-2
Processed fruits and vegetables ..	21.29	20.32	23.80	.97	5	-2.51	-11
Fats and oils	10.51	11.67	13.47	-1.16	-10	-2.96	-22
Miscellaneous products	8.82	8.88	8.95	-.06	-1	-.13	-1
Farm-retail spread							
Market basket	666.70	664.52	657.36	2.18	3/	9.34	1
Meat products	145.73	149.66	146.90	-3.93	-3	-1.17	-1
Dairy products	102.54	103.22	100.29	-.68	-1	2.25	2
Poultry	24.60	23.61	25.02	.99	4	-.42	-2
Eggs	14.14	14.71	14.46	-.57	-4	-.32	-2
Bakery and cereal : products	134.85	134.17	129.50	.68	1	5.35	4
Fresh fruits	34.28	30.35	34.76	3.93	13	-.48	-1
Fresh vegetables ..	48.57	47.44	46.38	1.13	2	2.19	5
Processed fruits and vegetables ..	94.40	94.81	95.81	-.41	3/	-1.41	-1
Fats and oils	28.05	27.30	25.73	.75	3	2.32	9
Miscellaneous products	39.54	39.25	38.51	.29	1	1.03	3

^{1/} Preliminary.^{2/} Retail cost of average quantities purchased annually per household in 1960-61 by urban wage-earner and clerical-worker families and single workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics.^{3/} Less than 0.5 percent.^{4/} Payments to farmers for equivalent quantities of farm products minus imputed value of byproducts obtained in processing.

miscellaneous products. However, meat products and eggs contributed most to the decline. Retail prices of many individual items declined from third quarter last year. Some of the more significant declines were: frozen orange juice concentrate, 25 percent; eggs, 19 percent; frying chickens, 8 percent; and pork, 6 percent. Prices for several fresh fruits and vegetables were also sharply lower (table 14, p.34).

The retail cost of the market basket will average about 1 percent lower in 1967 than in 1966, according to preliminary estimates, mainly because of lower prices for meat products, poultry, and eggs (table 2).

Third Quarter Farm Value Up, But Lower Than Year Ago

Although prices received by farmers for some products in the market basket declined in August and September, the farm value in the third quarter averaged 4 percent higher than in the previous quarter. Returns to farmers rose for all product groups except bakery and cereal products and fats and oils. Meat animals, eggs, and fresh fruits accounted for most of the rise.

Compared with the third quarter of last year, returns to farmers for foods in the market basket averaged about 6 percent lower in the same quarter this year. Farm values of all product groups were lower.

Farm value of the foods in the market basket probably will average about \$416 this year--a decrease of 6 percent from 1966. This decline from last year will result mainly from lower prices received by farmers for hogs, poultry, eggs, and fruits and vegetables for processing. Farm values of dairy products rose from last year.

Little Change in Marketing Spreads in Third Quarter

The spread between the farm value and retail cost of the farm food market basket averaged \$667 in the third quarter--about the same as in the previous quarter. Wider spreads for most product groups were largely offset by narrower spreads for meat and dairy products.

Third quarter spreads averaged about 1 percent wider this year than in 1966. Spreads were wider for all product groups, except meats, poultry, eggs, fresh fruits, and processed fruits and vegetables (table 15, p. 35).

The spread between the retail cost and farm value of the market basket of farm-originated foods will average about 2 percent wider this year than in 1966. The increase from 1965 to 1966 was almost 4 percent. Spreads will average wider in 1967 for all product groups, except poultry and eggs.

Farmer's Share Down 1 Cent in Third Quarter

Farmers received an average of 39 cents of the dollar consumers spent for farm-originated foods in retail food stores during the third quarter this year--1 cent more than in the previous quarter, but 2 cents less than a year earlier. The farmer's share for all of 1967 is expected to average 38 cents--2 cents less than in 1966. During the 10 years ended in 1966, the farmer's share varied from 37 to 40 cents.

How Some Commodities Fared

Farm and Retail Egg Prices Rise: Consumers paid 48.4 cents per dozen for large Grade A eggs in the third quarter--up 2.4 cents from the previous quarter, but 11.3 cents lower than a year earlier. Farm value rose 3.2 cents from the second quarter to 28.8 cents--10.8 cents lower than the third quarter last year. The farm-retail spread remained relatively stable.

Table 2.--The market basket of farm foods: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, averages 1947-49 and 1957-59, annual 1957-67, monthly 1966/67 1/

Year and month	Retail cost 2/	Farm value	Farm-retail spread	Farmer's share
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Percent</u>
Average:				
1947-49	890	441	449	50
1957-59	983	388	595	39
1957	953	380	573	40
1958	1,009	407	602	40
1959	985	377	608	38
1960	991	383	608	39
1961	997	380	617	38
1962	1,006	384	622	38
1963	1,013	374	639	37
1964	1,014	374	640	37
1965	1,041	408	633	39
1966	1,100	442	658	40
1967 3/	1,084	416	668	38
1966 4/				
January	1,073	441	632	41
February	1,095	460	635	42
March	1,103	461	642	42
April	1,100	448	652	41
May	1,092	436	656	40
June	1,093	433	660	40
July	1,099	447	652	41
August	1,120	462	658	41
September	1,116	455	661	41
October	1,113	436	677	39
November	1,098	422	676	38
December	1,095	420	675	38
1967 3/ 4/				
January	1,090	419	671	38
February	1,080	413	667	38
March	1,075	412	663	38
April	1,067	400	667	37
May	1,067	400	667	38
June	1,084	425	659	39
July	1,091	433	658	40
August	1,099	428	671	39
September	1,089	417	672	38

1/ Data for earlier years are published in Farm-Retail Spreads for Food Products 1947-64, ERS-226, April 1965.

2/ Retail cost for some months of 1966 and 1967 have been revised.

3/ Preliminary.

4/ Annual rates.

Lower egg prices this year have resulted from a 7 percent increase in production during the first 8 months of this year, compared to the same period of 1966. Greater-than-seasonal changes in production during the year have caused prices at both farm and retail levels to rise and fall sharply.

Increased Production Brings Lower Prices for Frying Chickens: A 9 percent increase in the slaughter of frying chickens this year has contributed greatly to declining farm and retail prices for frying chickens. Consumers paid 38.9 cents per pound for frying chickens in the third quarter--up 0.8 cent from the previous quarter, but 3.2 cents lower than a year earlier. Farm value averaged 18.4 cents, about the same as in the second quarter, but 2.8 cents below a year earlier. The farm-retail spread averaged about the same during these quarters. However, the spread widened significantly from July to September this year, as returns to farmers for broilers declined sharply.

Pork Prices Higher in Third Quarter: Although hog prices declined sharply after July reflecting increased slaughter, both the retail price and farm value of pork averaged higher in the third quarter than in the second (table 3).

Retail prices of pork averaged 69.3 cents per pound in the third quarter--an increase of 3.5 cents from the second quarter. Likewise, the farm value averaged 38.1 cents or 4.5 cents higher than the second quarter.

The farm-retail spread declined 1.0 cent from the second quarter to an average of 31.2 cents. The wholesale-retail segment accounted for most of the decrease in the farm-retail spread.

Compared to a year earlier, retail prices of pork averaged 4.1 cents lower in the third quarter, and the farm value was down 5.1 cents. Thus, the farm-retail spread averaged 1.0 cent wider. Commercial pork production was about 11 percent larger in July-September this year than in the same period of 1966.

The Outlook for 1968

Farm-retail spreads for products in the market basket may average 2 to 3 percent wider in 1968 than in 1967. These spreads increased by an average of about 2 percent (compound rate) during the decade, 1957-66. Spreads are likely to be wider for all product groups next year.

Operating costs of food marketing firms likely will rise in 1968. Hourly earnings and fringe benefits of food marketing employees are expected to continue rising, and the rise is not likely to be entirely offset by increases in output per man-hour. Prices of most inputs bought by marketing firms are expected to be higher next year.

The farm value of the market basket foods is expected to rise slightly in 1968. Most of the gain is expected to result from increases in prices for meat animals, chickens, eggs, and fruits.

The retail cost of the foods in the market basket will increase 2 to 3 percent, if the farm value and farm-retail spread rise as expected.

The farmer's share of the dollar consumers spend for the foods in the market basket is expected to average about the same as the 38 cent share anticipated for 1967.

Table 3.--Beef, pork, and lamb: Retail price, wholesale value, farm value, farm-retail spread, and farmer's share of retail price, annual 1964-66, quarterly 1966/67 1/

Date	Retail price	Wholesale	Gross	Byproduct	Net	Farm-retail spread			
	per pound 2/	value 3/	farm value 4/	allowance 5/	farm value 6/	Total	Wholesale- retail	Farm- wholesale	Farmer's share
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade									
1964	77.8	53.8	46.6	4.2	42.4	35.4	24.0	11.4	54
1965	81.6	57.6	51.6	4.8	46.8	34.8	24.0	10.8	57
1966	84.6	58.9	55.5	5.9	49.6	35.0	25.7	9.3	59
1966									
Jan.-Mar.	84.6	60.6	57.3	6.0	51.3	33.3	24.0	9.3	61
Apr.-June	85.5	59.9	57.1	6.3	50.8	34.7	25.6	9.1	59
July-Sept.	84.3	58.2	55.1	6.1	49.0	35.3	26.1	9.2	58
Oct.-Dec.	83.8	56.8	52.5	5.4	47.1	36.7	27.0	9.7	56
1967									
Jan.-Mar.	83.1	57.2	53.3	5.3	48.0	35.1	25.9	9.2	58
Apr.-June	82.6	58.2	53.0	5.0	48.0	34.6	24.4	10.2	58
July-Sept.	84.9	62.4	56.5	5.1	51.4	33.5	22.5	11.0	61
Oct.-Dec.									
Pork									
1964	56.4	40.0	30.7	4.0	26.7	29.7	16.4	13.3	47
1965	64.2	49.5	42.1	5.5	36.6	27.6	14.7	12.9	57
1966	73.5	54.8	47.6	6.4	41.2	32.3	18.7	13.6	56
1966									
Jan.-Mar.	78.1	59.2	53.3	7.0	46.3	31.8	18.9	12.9	59
Apr.-June	72.4	53.2	46.3	6.4	39.9	32.5	19.2	13.3	55
July-Sept.	73.4	55.6	49.7	6.5	43.2	30.2	17.8	12.4	59
Oct.-Dec.	69.9	51.3	41.1	5.6	35.5	34.4	18.6	15.8	51
1967									
Jan.-Mar.	66.6	47.5	38.3	5.0	33.3	33.3	19.1	14.2	50
Apr.-June	65.8	47.1	38.5	4.9	33.6	32.2	18.7	13.5	51
July-Sept.	69.3	51.4	43.0	4.9	38.1	31.2	17.9	13.3	55
Oct.-Dec.									
Lamb, Choice grade									
1964	73.6	52.5	46.8	7.1	39.7	33.9	21.1	12.8	54
1965	79.5	58.4	53.4	8.0	45.4	34.1	21.1	13.0	57
1966	86.1	59.8	55.5	8.4	47.1	39.0	26.3	12.7	55
1966									
Jan.-Mar.	85.7	65.0	61.0	9.9	51.1	34.6	20.7	13.9	60
Apr.-June	86.7	60.5	55.9	9.2	46.7	40.0	26.2	13.8	54
July-Sept.	86.5	56.8	53.3	8.1	45.2	41.3	29.7	11.6	52
Oct.-Dec.	85.4	57.0	51.7	6.4	45.3	40.1	28.4	11.7	53
1967									
Jan.-Mar.	83.8	55.8	48.9	6.3	42.6	41.2	28.0	13.2	51
Apr.-June	85.5	62.1	54.9	6.2	48.7	36.8	23.4	13.4	57
July-Sept.	89.9	64.0	53.7	4.8	48.9	41.0	25.9	15.1	54
Oct.-Dec.									

1/ Data for 1966 and 1967 revised.

2/ Estimated weighted average price of retail cuts.

3/ Wholesale value of quantity of carcass equivalent to 1 lb. of retail cuts: Beef, 1.35 lb.; pork, 1.00 lb.; lamb, 1.14 lb.

4/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.25 lb.; pork, 2.00 lb.; lamb, quantity varies by months from 2.33 lb. in April to 2.38 lb. in October.

5/ Portion of gross farm value attributed to edible and inedible byproduct.

6/ Gross farm value minus byproduct allowance.

THE BILL FOR MARKETING FARM FOOD PRODUCTS

Civilian consumers in this country are expected to spend approximately \$85.5 billion for domestic farm-originated food products this year--3 percent more than in 1966 (table 4). The volume of products has increased, and increases have been largest for some of the more expensive foods.

The farm value of the domestic farm-originated foods sold to U.S. civilian consumers in 1967 probably will be down around 2 percent from the 1966 level. The 1967 farm value, however, will be the second largest on record. Farm values of most product groups have decreased--the poultry and egg groups by the largest percentage.

The bill for marketing these products will amount to about \$58.0 billion, 5 percent more than in 1966. The average annual increase during 1957-66 was 4 percent. Rising marketing costs per unit handled contributed more to the rise in 1967 than expanded volume.

Outlook for 1968

The farm value of foods sold to civilian consumers in this country will probably turn upward next year mainly reflecting higher prices for livestock.

The marketing bill can be expected to increase again in 1968, as it has each year since 1950. Consumer expenditures for these products have risen every year since 1949, and will rise again in 1968 as prices continue upward. Increased purchases of food in away-from-home eating places will again contribute to the rise in the marketing bill and consumer expenditures.

COSTS AND PROFITS IN MARKETING FARM PRODUCTS

Labor Costs

Employees in food marketing establishments earned an average of \$2.50 per hour in August this year--5 percent more than a year earlier (table 5). This rise exceeds the average annual increase of 4 percent during 1957-66.

Increases in average hourly earnings of food marketing employees were comparable to those in other lines of manufacturing and trade. Hourly earnings in food manufacturing establishments averaged \$2.61 in August this year, about 5 percent higher than a year earlier. In all manufacturing establishments, the average was \$2.82--up 4 percent from August 1966. In the wholesale food trade, employees averaged \$2.67 per hour in August--6 percent more than a year earlier. This compares with an hourly average of \$2.88 in all wholesale trades--5 percent higher than in August last year. Earnings of employees in retail food stores averaged \$2.22--4 percent more than in August 1966. Employees in all retail establishments earned an hourly average of \$2.01 in August--6 percent higher than a year earlier.

Changes in average hourly earnings reflect changes in the proportion of employees in lower and higher paid groups and the number of hours of overtime for which premium rates are paid, as well as in wage rates.

Hourly cost of the labor engaged in marketing food products (includes fringe benefits as well as payrolls) averaged 39 percent higher in 1966 than in 1957-59. But a substantial improvement in output of products marketed per man-hour held the increase in labor cost per unit of product marketed to 14 percent.

Table 4.--The total marketing bill, farm value, and consumer expenditures for domestic farm food products bought by civilians, United States, average 1947-49, annual 1955-67

Year	Total marketing bill <u>1/</u>	Farm value <u>2/</u>	Civilian expenditures for farm foods <u>3/</u>
	<u>Billion dollars</u>	<u>Billion dollars</u>	<u>Billion dollars</u>
1947-49 average	24.5	18.9	43.4
1955	34.4	18.7	53.1
1956	36.3	19.2	55.5
1957	37.9	20.4	58.3
1958	39.5	21.5	61.0
1959	42.2	20.9	63.1
1957-59 average	39.9	20.9	60.8
1960	44.2	21.7	65.9
1961	45.1	22.0	67.1
1962	46.9	22.4	69.3
1963	48.9	22.6	71.5
1964	51.2	23.4	74.6
1965	52.1	25.5	77.6
1966 <u>4/</u>	55.3	28.1	83.4
1967 <u>4/</u>	58.0	27.5	85.5

1/ The marketing bill is the difference between total expenditures by civilian consumers for domestic farm-food products and the farm value or returns that farmers received for the equivalent farm products. It is an estimate of total charges for transporting, processing, wholesaling, and retailing farm foods.

2/ The farm value is the payment to farmers for the products equivalent to those sold to consumers. The values of inedible byproducts, nonfood products, and exports are not included. In calculating the farm value of wheat products, the cost of domestic wheat marketing certificates to wheat processors was added to the market price of wheat beginning in the second half of 1964.

3/ Consumer expenditures for domestic farm-food products; excluded are expenditures for imported foods, seafoods, and other foods of nonfarm origin.

4/ Preliminary.

Beginning with 1960, estimates in this table are for 50 states.

Data for 1947-54 published in the Marketing and Transportation Situation, Aug. 1967, (MTS-166).

Table 5.--Hourly earnings of employees of firms marketing food, tobacco, textiles, apparel and related products, averages 1947-54, annual 1955-66, monthly 1966/67

Year and month	Food	Manufacturing <u>2/</u>			Retail
	marketing <u>1/</u>	Tobacco	Textile-mill products	Apparel and related products	apparel and accessories stores <u>2/</u>
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Average:					
1947-49	1.11	0.953	1.124	1.197	1.024
1950-54	1.38	1.19	1.32	1.32	1.16
1955	1.58	1.34	1.38	1.37	1.27
1956	1.67	1.45	1.44	1.47	1.30
1957	1.75	1.53	1.49	1.51	1.35
1958	1.82	1.59	1.49	1.54	1.39
1959	1.88	1.64	1.56	1.56	1.44
1960	1.96	1.70	1.61	1.59	1.46
1961	2.03	1.78	1.63	1.64	1.50
1962	2.10	1.85	1.68	1.69	1.55
1963	2.16	1.91	1.71	1.73	1.59
1964	2.23	1.95	1.79	1.79	1.63
1965	2.30	2.09	1.87	1.83	1.71
1966	2.39	2.19	1.96	1.89	1.79
1966					
Jan.	2.35	2.16	1.91	1.85	1.78
Feb.	2.36	2.22	1.92	1.88	1.75
Mar.	2.38	2.21	1.92	1.88	1.74
Apr.	2.39	2.27	1.93	1.87	1.79
May	2.40	2.27	1.93	1.87	1.78
June	2.40	2.30	1.98	1.87	1.78
July	2.40	2.32	1.98	1.87	1.79
Aug.	2.38	2.17	1.98	1.90	1.76
Sept.	2.40	2.08	1.99	1.90	1.81
Oct.	2.41	2.09	2.00	1.93	1.82
Nov.	2.43	2.11	2.01	1.93	1.82
Dec.	2.43	2.17	2.00	1.93	1.82
1967					
Jan.	2.47	2.20	2.01	1.95	1.88
Feb.	2.48	2.28	2.01	1.99	1.87
Mar.	2.50	2.34	2.02	2.00	1.86
Apr.	2.50	2.36	2.02	2.01	1.89
May	2.51	2.37	2.03	2.00	1.90
June	2.51	2.39	2.03	2.02	1.92
July	2.51	2.39	2.02	2.02	1.90
Aug.	2.50	2.25	2.04	2.05	1.88
Sept.	---	2.22	2.11	2.07	---

1/ Weighted composite earnings in food manufacturing and wholesale and retail food trades calculated by the Economic Research Service from data of the U.S. Dept. of Labor.

2/ U.S. Dept. of Labor.

Average hourly earnings of employees in plants manufacturing non-food farm products also increased this year (table 5). September earnings of employees in textile mills and tobacco manufacturing plants were 6 to 7 percent above a year earlier. September earnings of employees in plants manufacturing apparel and related products were up almost 9 percent.

Transportation Charges

The combined index of railroad freight rates for agricultural commodities was 89 last year (1957-59=100)--down 1 point from the previous year (table 6). Freight rate indexes for livestock, meat, fruits and vegetables, cotton, and wool did not change. However, indexes for grains and tobacco were down slightly, and those for soybeans declined significantly for the second consecutive year. Many rail rate changes have been made to meet truck, barge, and ship competition. Truck rates for interstate movements of unmanufactured farm products are unregulated and generally unpublished. Truck rates appear to have been stable over recent years. Although a general rail freight rate increase has recently been approved by the Interstate Commerce Commission (see page 11 of the August 1967 issue of the Marketing and Transportation Situation), it is expected that reductions will continue to occur on a selective basis.

In recent years, railroads have adopted new types of equipment and new rate-making principles in an attempt to increase their share of the growing transportation job of the nation. These developments will continue to have a significant impact on food marketing costs.

Other Costs

Prices of goods and services (not including raw materials and labor) bought by marketing firms are expected to average from 3 to 4 percent higher this year than in 1966 (table 7). In the first half of 1967, prices of containers, packaging materials, fuel, power, and light averaged about 2 percent higher than in the first half of 1966. Over the same period, prices of services (rent, property insurance, telephone and maintenance, etc.) rose about 5 percent. In recent years, prices for intermediate goods and services bought by marketing firms have increased at a faster rate than in the early 1960s, when these prices had been relatively stable.

Interest rates charged by banks on short-term loans to businesses eased slightly this year, after rising sharply in 1966. Rates in 19 large cities in various sections of the country averaged 5.94 percent in August 1967, compared with 6.30 percent in September last year and 5.00 percent in September 1965. Interest rates were relatively stable during the first half of the 1960s. Following last year's sharp rise, long-term interest rates turned down early in 1967 but have risen since then (table 7).

Profits

Food marketing firms: Profits after taxes for corporations manufacturing food and kindred products (not including alcoholic beverages) averaged 2.2 percent of sales in the first half of 1967, compared with 2.5 percent a year earlier, according to a joint report of the Federal Trade Commission and the Securities and Exchange Commission (table 8). After tax profits average about 9.9 percent of stockholders' equity in the first half of 1967--compared with 11.0 percent a year earlier.

Profits, as a percentage of sales, of 16 leading retail food chains averaged 1.0 percent in the first half of 1967, compared with 1.3 percent a year earlier. In 1966, profits for these food chains had averaged 1.2 percent of sales--the same as in 1965. They had averaged 1.2 to 1.3 percent during 1957-64. Profits as a percentage of stockholders' equity declined each year (except in 1964) from 14.8 percent in 1957 to 11.3 percent in 1965. They averaged 11.4 percent in 1966.

Table 6.--Railroad freight rates for specified agricultural commodities, 1957-66

(1957-59=100)						
Year	Livestock	Meat	Fruits and vegetables	Wheat	All grains <u>1/</u>	
1957	98	109	103	99	99	
1958	102	100	101	101	102	
1959	100	92	96	100	99	
1960	99	92	94	100	98	
1961	98	91	95	99	98	
1962	96	91	94	96	96	
1963	94	89	93	95	95	
1964	93	86	93	92	93	
1965	93	85	93	83	88	
1966 <u>2/</u> ..	93	85	93	82	87	
	Soybeans	Cotton	Wool	Tobacco	Combined index	
1957	97	100	106	108	101	
1958	102	101	108	101	101	
1959	101	100	85	91	98	
1960	101	99	82	90	97	
1961	96	99	83	91	96	
1962	94	99	83	91	95	
1963	89	99	83	91	94	
1964	88	98	83	91	92	
1965	85	98	83	91	90	
1966 <u>2/</u> ..	82	98	83	90	89	

1/ Includes wheat.2/ Preliminary.

Textile, apparel, and tobacco corporations: Profit ratios were lower for corporations manufacturing textiles and apparel and other finished products in the first half of this year than in the same period of 1966 (table 8). In the 3 years, 1964-66, profit ratios were higher than in other recent years.

Profits as a percentage of sales of corporations manufacturing tobacco products averaged lower in the first half of 1967 than in the same period last year (table 8). However, profits as a percentage of stockholders' equity averaged about the same in the first half of 1967 as in January-June 1966.

Table 7.--Prices of inputs bought by marketing firms, annual 1955-66,
quarterly 1966/67

(1957-59=100)							
Year and quarter	Intermediate goods and services					New plant and equipment	Yields on high-grade long-term bonds, per annum
	Total	Goods			Services		
		Total	Containers: and packaging materials	Fuel, power, and light			
1/	2/	3/	4/				
Percent							
1955	91	91	90	92	90	87	3.06
1956	95	96	96	96	93	92	3.36
1957	98	99	99	102	97	98	3.89
1958	100	100	101	99	100	100	3.79
1959	102	101	100	100	103	102	4.38
1960	103	102	102	102	105	103	4.41
1961	104	102	101	104	106	103	4.35
1962	104	101	102	103	108	104	4.33
1963	104	100	101	102	110	105	4.26
1964	106	100	101	102	114	106	4.40
1965	108	102	102	102	118	108	4.49
1966	112	104	106	103	123	110	5.13
1966							
Jan.-Mar.	110	104	105	103	120	109	4.81
Apr.-June	111	104	106	103	122	110	5.00
July-Sept.	112	105	106	103	124	110	5.32
Oct.-Dec.	113	105	106	104	125	112	5.38
1967							
Jan.-Mar.	114	106	107	105	126	112	5.12
Apr.-June	115	106	107	105	128	112	5.26
July-Sept.	---	---	---	---	---	---	5/5.60
Oct.-Dec.	---	---	---	---	---	---	----

^{1/} Also includes prices of office supplies, restaurant supplies, and many other goods.^{2/} Rent, property insurance and maintenance, telephone, etc.^{3/} Implicit price deflator for investment in nonresidential structures and producers' durable equipment, gross national product, U.S. Dept. of Commerce.^{4/} Aaa corporate bonds; Moody's Investor Service.^{5/} 2-month average.

Table 8.--Net profits (less provision for taxes on income) as percentage of stockholders' equity and sales of manufacturers of food, textiles, apparel and tobacco, and 16 retail food chains, annual 1956-66, quarterly 1966/67

Year and quarter	Profits as percentage of stockholders' equity				
	Manufacturing corporations 1/				16 retail food chains 3/
	Food 2/	Textile-mill products	Apparel and other finished products	Tobacco	
	Percent	Percent	Percent	Percent	Percent
1956	---	5.4	8.1	11.7	---
1957	8.8	4.0	6.3	12.5	14.8
1958	9.2	3.5	5.0	13.5	14.4
1959	9.6	7.5	8.7	13.5	13.5
1960	9.2	5.8	7.7	13.5	13.0
1961	9.4	5.0	7.3	13.8	12.1
1962	9.2	6.2	9.3	13.2	11.7
1963	9.3	6.1	7.7	13.4	11.5
1964	10.4	8.6	11.9	13.4	11.6
1965	11.0	10.9	12.8	13.4	11.3
1966	11.5	10.3	13.8	14.3	11.4
1966					
Jan.-Mar.	10.5	9.4	11.0	12.1	---
Apr.-June	11.4	10.9	13.8	14.8	---
1967					
Jan.-Mar.	9.7	5.9	9.6	12.1	---
Apr.-June	10.3	7.1	8.6	14.7	---
	Profits as percentage of sales				
1956	---	2.4	1.6	5.0	---
1957	2.1	1.8	1.3	5.2	1.3
1958	2.1	1.6	1.0	5.4	1.3
1959	2.3	3.0	1.5	5.4	1.3
1960	2.2	2.5	1.4	5.5	1.3
1961	2.2	2.1	1.3	5.7	1.2
1962	2.2	2.4	1.6	5.7	1.2
1963	2.2	2.3	1.4	5.9	1.2
1964	2.5	3.1	2.1	5.9	1.3
1965	2.6	3.8	2.3	5.9	1.2
1966	2.5	3.6	2.4	5.9	1.2
1966					
Jan.-Mar.	2.5	3.4	2.1	5.4	1.2
Apr.-June	2.6	3.9	2.5	6.2	1.3
1967					
Jan.-Mar.	2.2	2.4	1.8	5.1	1.0
Apr.-June	2.3	2.7	1.7	5.8	1.0

1/ Compiled from data in Quarterly Financial Report for Manufacturing Corporations 1957-67 issues, published by the Federal Trade Commission and Securities and Exchange Commission.

2/ Food and kindred products excluding alcoholic beverages.

3/ Compiled from Moody's Industrial Manual and company annual reports.

RECENT DEVELOPMENTS IN MARKETING

Volume of Products Marketed Continues to Increase

The volume of products marketed by farmers in the first 9 months of 1967 was 4 percent larger than in the same months of 1966. Marketings of crops and marketings of livestock and livestock products each rose 4 percent. The total volume of products marketed this year is expected to exceed last year's record volume.

Production by food manufacturing industries, as reported by the Federal Reserve Board, averaged 3 percent larger in the first 8 months this year than in the same period in 1966. January-August textile mill output was 4 percent below a year earlier. During the first 7 months, output of the apparel industry was 4 percent lower than a year earlier, but the tobacco industry's output remained unchanged.

Sales by retail food stores in the first 9 months were 1 percent larger in 1967 than in 1966. Prices of foods in retail stores averaged about the same in the first 8 months this year as last year. Sales in eating places during the first 8 months this year were 7 percent larger than in 1966, and prices averaged 5 percent higher.

Exports of farm products: Exports of farm products reached a record value of \$6.8 billion in the fiscal year ended June 30, 1967--compared with \$6.7 billion in the previous year. Commercial exports made up \$5.2 billion of the 1967 total--\$100 million more than in fiscal 1966. Exports under the Government-financed programs declined slightly. Among the products showing large increases in value of exports were cotton (excluding lint), milled rice, and unmanufactured tobacco. These increases were almost offset by a substantial decline in exports of dairy products and feed grains. The decline in feed grain exports coincided with larger supplies of feed grains for export from other countries of the world.

Rate of Expenditures for New Plant and Equipment Slows Down

Firms manufacturing food and beverages invested slightly more for new plant and equipment in the first 6 months of 1967 than in the same period of 1966. Total expenditures for 1967 are expected to exceed those for 1966 by 4 percent (table 9). This increase compares with a 12 percent rise in 1966.

A major factor holding down capital outlays in 1967 has been a reduced rate of capacity utilization. In June 1966, companies holding 47 percent of the fixed assets in the food and beverage manufacturing industry reported that their plant and equipment were about adequate for prospective operations in the year ahead. By June of this year the corresponding percentage had increased to 54 percent.

Investments in new plant and equipment by textile manufacturing firms were less in the first half of 1967 than a year earlier and are expected to be 20 percent less for all of 1967 than in 1966.

Railroads' outlays for equipment in 1967 may be a fifth below the 1966 total. This cut follows several years of expanding investment. Nonrail transportation companies have increased their outlays substantially this year. Airlines have accounted for most of the increase. Trucking companies have not increased their capital outlays.

Fair Packaging and Labeling Act to Facilitate Value Comparisons

The Fair Packaging and Labeling Act (FPLA) enacted by Congress last year requires manufacturers of consumer products marketed in interstate commerce to label their products honestly and informatively so consumers may more easily determine the best value

Table 9.--Investments in new plant and equipment by firms processing and transporting farm products, 1960-67

Year	Processing industries		Transportation	
	Food and beverage	Textile	Railroad	Other than rail
	Billion dollars	Billion dollars	Billion dollars	Billion dollars
1960	0.92	0.53	1.03	1.94
1961 .....	.98	.50	.67	1.85
1962 .....	.99	.61	.85	2.07
1963 .....	.97	.64	1.10	1.92
1964	1.06	.76	1.41	2.38
1965	1.24	.98	1.73	2.81
1966	1.39	1.13	1.98	3.44
1967 1/ ..	1.44	.90	1.57	3.92

1/ Estimates based upon anticipated capital expenditures reported by business in late July and August 1967.

Data from Securities and Exchange Commission and Department of Commerce.

for their money. The provisions of the law affecting foods, drugs, devices and cosmetics will be enforced by the Food and Drug Administration (FDA). The Federal Trade Commission (FTC) is responsible for enforcement of the law as it affects other commodities packaged and sold at retail.

Both the FDA and FTC have authority under the Act to issue mandatory regulations on labeling consumer commodities that are packaged and sold at retail. The packaging provisions of the FPLA, on the other hand, are voluntary. However, the Secretary of Commerce is responsible for obtaining industry agreement on voluntary standards of weights, measures, and quantities whenever there is evidence of "undue proliferation" of package sizes and weights that may impair consumers' ability to make value comparisons.

Marketing agencies primarily affected by the FPLA are manufacturers and processors. Retailers and wholesalers are, in general, exempt from the law. Because there is existing Federal law governing the labeling of meat and meat products and poultry and poultry products, these foods are excluded from the FPLA.

Consumers shopping for groceries can expect to see some effects of the FPLA by the end of the year. In July, the FDA published regulations on fair packaging and labeling of foods which will become effective December 31, 1967, for all new packages and label designs, or labels that have been reordered. Among other provisions, the regulations issued by the FDA require commodity identity, name, and place of business of the manufacturer, packer, or distributor, and the net quantity of contents. The statement of the net contents is to be placed in about the same area on every package of food. The regulations further state that contents of packages containing between 1 and 4 pounds must be stated in 2 ways: a statement of total ounces, followed by a statement giving the information in pounds and ounces or fractions of ounces. A similar dual declaration is also required for fluid products.

The regulations prohibit the use of descriptive words which tend to exaggerate the amount of food in a package such as "jumbo" pound, or "full" quart. The law also requires that manufacturers stating the number of servings in a package must also give the net weight or volume of each serving.

Perhaps the most important aspect of the FPLA is the phrase "value comparisons." The Act's Declaration of Policy states, "Informed consumers are essential to the fair and efficient functioning of a free market economy. Packages and their labels should enable consumers to obtain accurate information as to the quantity of the contents and should facilitate value comparisons." The steady proliferation of products and packages has made value comparisons increasingly difficult. In brief, the main feature of the FPLA appears to be that it requires marketing agencies to conspicuously set forth information that will better enable consumers to make value comparisons among comparable products.

Food and Fiber Commission Backs Market-Oriented Agriculture

In November 1965, President Johnson appointed a Commission to conduct a long-range appraisal of U.S. agricultural and related foreign trade policies. The overall results of the Commission's work were recently published in "Food and Fiber for the Future." (Copies of the report are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402. The price is \$1.25 per copy.)

The report includes many recommendations on agricultural policy. One of the Commission's recommendations deals with the role of markets in guiding changes in agricultural production and marketing. In the Commission's concept of market orientation, there is room for varied programs, public and private, to improve the operation of markets--marketing research and information, antitrust legislation, cooperative purchasing and selling, and collective bargaining.

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AN EXAMINATION OF BEEF AND PORK PRICE SPREAD COMPUTATION PROCEDURES 1/

Growing discontent with beef and pork price spread data, both within and outside the U.S. Department of Agriculture, was brought into full view by the report of the National Commission on Food Marketing. 2/ The major concern of the Commission report in the area of meat price spreads was whether the total effect of specials is accounted for in the reported retail prices. At the same time, price spreads are also dependent on the level of the wholesale and farm values. Thus, these have also been a subject of concern.

As a result of the questions raised about the present spread series, a thorough examination of procedures currently used to calculate price spreads was undertaken. This article reports some of the revisions being considered in the procedure for estimating price spreads for beef and pork. Further work is currently in progress. Additional analysis is necessary before the decision will be made to change the procedures currently used to calculate price spreads.

Price spreads are defined as the differences between retail, wholesale, and farm values. For example, the farm-retail spread is the difference between the retail price and the farm value. Therefore, the proposed revisions discussed in the following paragraphs relate to the task of estimating accurate or representative retail prices, wholesale values, and farm values. The farm and wholesale figures are termed values, rather than prices, because they represent the value of the amount of the carcass or live animal equivalent to one pound at retail. Near the end of the article, a comparison is made between the current price spread series and proposed new series incorporating the changes indicated by our analysis to date.

Retail Prices

Average composite retail prices of both beef and pork are presently obtained by using Bureau of Labor Statistics (BLS) prices of individual cuts. BLS prices 7 cuts of beef and 6 cuts of pork. The present procedure assumes that the average price of all other cuts rises and falls in proportion to the cuts priced by BLS.

The proposed new procedure uses prices of all retail cuts to compute the composite prices. Retail prices for the additional cuts are obtained from a continuing survey of retail chain meat prices conducted by the Marketing Economics Division. This survey collects data from about 40 retail chain divisions throughout the United States.

Weekly to Monthly Data

BLS prices are collected during the first week of each month. As a result, the present retail prices are representative of 1 week within the month. The wholesale and farm values presently computed use data for the same week. The proposed method averages the prices for each week in the month, so that results obtained are more representative of the entire month. The chain survey collects prices each week and,

1/ By Lawrence A. Duewer, Agricultural Economist, Marketing Economics Division, Economic Research Service, U.S. Department of Agriculture.

2/ National Commission on Food Marketing, Organization and Competition in the Livestock and Meat Industry, Technical Study No. 1, pp. 73-75, and Cost Components of Farm-Retail Price Spreads for Foods, Technical Study No. 9, pp. 5-7, Washington, D.C., June 1966.

thus, lends itself quite readily to this change. BLS prices would be adjusted to represent a monthly average, using data from the chain survey. Using a monthly average of weekly data, rather than 1 week's data should decrease the month to month fluctuations. Also, it would provide a more representative monthly estimate.

Effect of Specials

The major changes proposed in the procedure for calculating average retail prices center around the inclusion of the total effect of specials. BLS prices that are presently used include about two-thirds of the specials conducted by the stores in the BLS sample. Data collected by Marketing Economics Division from a sample of chain stores include all special prices and regular prices. In the revised procedure, the chain data would be used to adjust BLS prices, thus obtaining a price including all specials, as well as a regular price including no specials.

Retail prices that include all specials, however, do not represent the total effect of specials on the average retail price if the average is obtained using carcass proportions. When an item is on special, a greater than usual amount is sold. In order to obtain the total effect of specials, this increased sales volume must be taken into consideration. If the volume sold, as well as the price of each cut, were obtained from each store, the total effect of specials could be calculated directly. But such data are not available. The portion of the total effect of specials on retail prices that can be obtained without volume information is called the "price effect." The "price effect" is determined by subtracting the average price including all special prices (specials-included price) from the average regular price.

The basic problem is to estimate the "volume effect," that is, the effect of special prices on the volume sold. Data collected during 5 months of 1965 in Washington, D.C. for the National Commission on Food Marketing indicated that price and volume effects were about equal. Thus, the procedure proposed for including the total effect of specials on retail prices consists of calculating the "price effect" and doubling it to include the "volume effect." This amount is then subtracted from the regular retail price to obtain a retail price that includes the total effect of specials.

In order to validate or determine more accurately the relationship between the price and volume effect, a study is presently being conducted in 5 cities. This study is very similar to the 1965 study mentioned above.

Wholesale Value

Computation of wholesale values of beef and pork are somewhat different. Each is fairly complicated. The present and proposed procedures do not vary much, so only the changes (rather than the entire method) will be discussed. A few small changes in weights assigned to pork products are proposed, in line with the trend to produce a greater proportion of meat-type hogs.

Calculation of wholesale values under the proposed procedures use monthly average data, rather than data for 1 week. A change also is proposed in the conversion factors used to estimate the quantity of carcass at wholesale equivalent to 1 pound of retail cuts. Conversion factors would be changed from 1.35 to 1.38 pounds for beef and from 1.00 to 1.04 pounds for pork to allow for retail shrink. The current conversion factors make no allowance for retail shrink. This shrink is the loss due to pilferage, refacing, dehydration, and spoilage after the meat is originally cut and packaged for sale. In order to obtain an accurate estimation of retail shrink, a small sample of stores will be studied in the near future. The results of this study may alter the proposed conversion factors.

An examination of volume of movement data is also being undertaken to determine whether to use carlot or less-than-carlot wholesale prices, or a combination of the two, and which geographical distribution and weighting of reported prices would be most representative. Additionally, wholesale and live animal prices and movements are being examined to determine the representativeness of different beef cattle weights and grades and steer-versus-heifer data.

Farm Value

Net farm value is defined as the payment to the farmer for the quantity of live animal, excluding byproducts, equivalent to 1 pound of retail cuts. In the computations of farm value, the change from 1 week to average monthly data is again proposed. The suggested changes in the conversion factors used to equate the quantity of live animal equivalent to 1 pound at retail are from 2.25 to 2.30 pounds for beef and 2.00 to 2.09 pounds for pork. These changes would allow for retail shrink.

Present farm value computations for both beef and pork are based mainly on the prices of steers, heifers, and hogs published by the Statistical Reporting Service (SRS). The proposed procedure involves the use of 20 terminal market prices for 900 to 1,100 pound Choice steers. Terminal market prices are collected by the Market News Service. These prices from the different markets would be weighted according to volume. For pork, it is proposed to use the weighted average price of barrows and gilts from 8 markets reported by the Market News Service.

In order to calculate a farm price from the terminal market prices obtained, marketing costs incurred by farmers must be subtracted. Marketing costs include yardage, commission, and transportation charges. A more thorough study is being made, but present findings indicate farmers' marketing costs average \$0.65 per 100 pounds live weight for beef and \$0.75 per 100 pounds for pork.

Use of the farm price (market price minus marketing cost) adjusted by the conversion factor to retail weight equivalent provides the gross farm value from which the byproduct value must be subtracted. No changes are anticipated in the procedure for calculating byproduct values. However, for pork, the weights used for various byproducts have been updated to reflect the gradual improvement in hog quality over time. Subtracting byproduct values provides the revised farm values for beef and pork.

Comparison of Current and Revised Series

Retail Price

The revised retail price of Choice beef averaged 2.1 cents per pound lower than the present series from January 1965 to August 1967. The pork price averaged 1.6 cents less (tables 10 and 11). Most of the decline results from including the total effect of specials.

Wholesale Value

The revised wholesale values are higher than the present series. The wholesale value averaged 1.5 cents higher for beef and 1.0 cent higher for pork. This increase stemmed mainly from the addition of the retail shrink factor. The examination of carlot and less-than-carlot prices mentioned earlier may indicate that more carlot prices should be used. This would tend to lower the wholesale value.

Table 10.--Choice beef: A comparison of the currently reported retail prices, wholesale values, farm values and spreads with a proposed revised series, by months, 1965-67

Year and month	Retail price per pound 1/		Wholesale value 2/		Net farm value 3/		Farm-wholesale spread		Wholesale- retail spread		Farm-retail spread	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised	Current	Revised	Current	Revised
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
<u>1965</u>												
January	78.9	76.4	53.8	55.7	43.7	47.5	10.1	8.2	25.1	20.7	35.2	28.9
February	78.4	75.7	53.6	55.0	43.4	47.0	10.2	8.0	24.8	20.7	35.0	28.7
March	78.5	75.6	53.6	55.6	42.9	48.1	10.7	7.5	24.9	19.4	35.6	26.9
April	78.3	77.2	55.5	57.4	45.3	50.3	10.2	7.1	22.8	19.8	33.0	26.9
May	79.2	79.2	58.4	61.0	47.7	53.4	10.7	7.6	20.8	18.2	31.5	25.8
June	84.1	82.7	62.4	62.4	51.8	55.3	10.6	7.1	21.7	20.3	32.3	27.4
July	85.0	83.4	61.2	61.9	50.0	53.6	11.2	8.3	23.8	21.5	35.0	29.8
August	83.9	82.9	59.9	61.2	47.8	52.5	12.1	8.7	24.0	21.7	36.1	30.4
September	83.8	82.2	59.8	60.8	47.8	52.7	12.0	8.1	24.0	21.4	36.0	29.5
October	83.2	81.1	58.3	59.2	46.8	51.9	11.5	7.3	24.9	21.9	36.4	29.2
November	82.5	81.8	57.4	58.2	46.5	50.8	10.9	7.4	25.1	23.6	36.0	31.0
December	82.9	82.0	57.8	59.1	47.5	51.3	10.3	7.8	25.1	22.9	35.4	30.7
<u>1966</u>												
January	83.3	80.9	58.0	60.6	47.9	52.2	10.1	8.4	25.3	20.3	35.4	28.7
February	84.4	82.3	60.3	62.1	50.3	54.1	10.0	8.0	24.1	20.2	34.1	28.2
March	86.1	83.5	63.4	64.4	55.8	56.5	7.6	7.9	22.7	19.1	30.3	27.0
April	86.7	84.9	62.5	62.6	52.6	54.5	9.9	8.1	24.2	22.3	34.1	30.4
May	85.2	83.5	59.4	60.4	51.4	51.9	8.0	8.5	25.8	23.1	33.8	31.6
June	84.5	81.0	57.9	58.7	48.5	50.6	9.4	8.1	26.6	22.3	36.0	30.4
July	84.1	80.6	57.6	58.6	48.7	50.2	8.9	8.4	26.5	22.0	35.4	30.4
August	84.3	81.1	57.9	59.5	48.8	51.1	9.1	8.4	26.4	21.6	35.5	30.0
September	84.6	81.3	59.2	60.2	49.6	51.1	9.6	9.1	25.4	21.1	35.0	30.2
October	84.5	80.5	57.6	58.3	48.0	49.8	9.6	8.5	26.9	22.2	36.5	30.7
November	83.1	80.2	55.6	57.4	45.8	48.9	9.8	8.5	27.5	22.8	37.3	31.3
December	83.8	83.6	57.1	58.6	47.4	49.2	9.7	9.4	26.7	25.0	36.4	34.4
<u>1967</u>												
January	83.0	79.7	57.8	59.8	47.9	50.6	9.9	9.2	25.2	19.9	35.1	29.1
February	83.5	80.8	57.3	58.5	48.0	49.5	9.3	9.0	26.2	22.3	35.5	31.3
March	82.9	80.5	56.5	57.3	48.2	48.7	8.3	8.6	26.4	23.2	34.7	31.8
April	82.2	80.2	56.4	58.5	47.4	49.1	9.0	9.4	25.8	21.7	34.8	31.1
May	81.8	78.8	57.3	60.2	46.5	51.0	10.8	9.2	24.5	18.6	35.3	27.8
June	83.9	82.2	60.9	62.1	50.0	52.4	10.9	9.7	23.0	20.1	33.9	29.8
July	84.1	83.1	61.7	63.2	51.4	53.6	10.3	9.6	22.4	19.9	32.7	29.5
August	84.7	83.7	61.4	63.7	50.9	54.4	10.5	9.3	23.3	20.0	33.8	29.3
Average Jan. 1965- Aug. 1967	83.1	81.0	58.3	59.8	48.3	51.4	10.0	8.4	24.8	21.2	34.8	29.6

1/ Estimated weighted average price of retail cuts. 2/ Wholesale value of carcass equivalent to 1 lb. of retail cuts.

3/ Payment to the farmer for the quantity of live animal, excluding byproducts, equivalent to 1 lb. of retail cuts.

Table 11.--Pork: A comparison of the currently reported retail prices, wholesale values, farm values and spreads with a proposed revised series, by months, 1965-67

Year and month	Retail price per pound ^{1/}		Wholesale value ^{2/}		Net farm value ^{3/}		Farm-wholesale spread		Wholesale- retail spread		Farm-retail spread	
	Current	Revised	Current	Revised	Current	Revised	Current	Revised	Current	Revised	Current	Revised
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1965												
January	56.4	55.1	40.5	41.7	27.1	28.6	13.4	13.1	15.9	13.4	29.3	26.5
February	56.9	54.0	41.5	41.7	29.6	30.4	11.9	11.3	15.4	12.3	27.3	23.6
March	57.2	54.8	42.0	42.5	28.6	30.2	13.4	12.3	15.2	12.3	28.6	24.6
April	57.4	54.4	43.4	43.2	30.0	31.4	13.4	11.8	14.0	11.2	27.4	23.0
May	58.0	58.8	44.6	47.0	33.0	36.8	11.6	10.2	13.4	11.8	25.0	22.0
June	63.8	63.7	50.5	52.2	38.1	42.9	12.4	9.3	13.3	11.5	25.7	20.8
July	68.4	69.1	53.7	55.0	41.8	44.7	11.9	10.3	14.7	14.1	26.6	24.4
August	70.3	70.1	55.3	55.4	41.8	45.5	13.5	9.9	15.0	14.7	28.5	24.6
September	70.5	70.1	53.5	53.7	38.7	41.8	14.8	11.9	17.0	16.4	31.8	28.3
October	69.7	69.5	52.8	53.6	40.1	42.5	12.7	11.1	16.9	15.9	29.6	27.0
November	69.4	69.1	53.7	55.8	40.9	44.6	12.8	11.2	15.7	13.3	28.5	24.5
December	72.9	75.7	62.1	62.4	50.0	52.1	12.1	10.3	10.8	13.3	22.9	23.6
1966												
January	77.6	76.5	60.3	62.2	47.5	51.3	12.8	10.9	17.3	14.3	30.1	25.2
February	78.8	78.2	60.5	62.0	48.7	51.0	11.8	11.0	18.3	16.2	30.1	27.2
March	78.0	75.0	56.7	57.2	42.7	44.4	14.0	12.8	21.3	17.8	35.3	30.6
April	73.3	69.3	53.4	53.4	39.3	40.4	14.1	13.0	19.9	15.9	34.0	28.9
May	71.6	68.4	51.7	53.8	37.9	42.3	13.8	11.5	19.9	14.6	33.7	26.1
June	72.3	71.2	54.4	56.3	42.5	45.6	11.9	10.7	17.9	14.9	29.8	25.6
July	72.9	71.5	56.2	56.6	43.9	46.4	12.3	10.2	16.7	14.9	29.0	25.1
August	73.4	74.1	57.4	57.6	44.5	47.3	12.9	10.3	16.0	16.5	28.9	26.8
September	73.9	71.8	53.3	54.6	41.3	42.3	12.0	12.3	20.6	17.2	32.6	29.5
October	72.5	69.3	53.7	52.4	37.9	39.4	15.8	13.0	18.8	16.9	34.6	29.9
November	69.5	66.4	49.2	49.6	34.1	36.2	15.1	13.4	20.3	16.8	35.4	30.2
December	67.7	65.1	50.9	51.1	34.5	36.0	16.4	15.1	16.8	14.0	33.2	29.1
1967												
January	67.5	64.5	49.8	49.9	33.6	35.6	16.2	14.3	17.7	14.6	33.9	28.9
February	66.6	63.7	47.1	48.0	33.5	35.4	13.6	12.6	19.5	15.7	33.1	28.3
March	65.8	61.6	45.7	46.4	32.7	33.6	13.0	12.8	20.1	15.2	33.1	28.0
April	64.6	60.3	44.2	45.0	30.1	32.0	14.1	13.0	20.4	15.3	34.5	28.3
May	63.7	63.1	44.5	51.2	31.3	40.4	13.2	10.8	19.2	11.9	32.4	22.7
June	69.1	67.8	52.5	53.0	39.3	41.4	13.2	11.6	16.6	14.8	29.8	26.4
July	69.2	68.6	52.7	54.1	41.1	42.1	11.6	12.0	16.5	14.5	28.1	26.5
August	69.8	68.2	51.8	51.7	38.5	39.0	13.3	12.7	18.0	16.5	31.3	29.2
Average Jan. 1965- Aug. 1967	68.4	66.8	51.2	52.2	38.0	40.4	13.2	11.8	17.2	14.6	30.4	26.4

^{1/} Estimated weighted average price of retail cuts. ^{2/} Wholesale value of quantity of carcass equivalent to 1 lb. of retail cuts.
^{3/} Payment to the farmer for the quantity of live animal, excluding byproducts, equivalent to 1 lb. of retail cuts.

Farm Value

Farm values averaged 3.1 cents higher for beef and 2.4 cents higher for pork, using the proposed procedure. Again, including retail shrink caused part of the increase. In addition, using terminal market steer prices and changing the byproduct weights for pork tended to raise the farm value. Subtracting farmer marketing costs from terminal market prices, instead of using SRS farm prices, also affected farm values obtained.

Spreads

An average decrease of 5.2 cents in the farm-retail spread for beef and 4.0 cents in the farm-retail spread for pork resulted from use of the proposed procedure. The wholesale-retail spread for beef decreased 3.6 cents. Pork decreased 2.6 cents. The farm-wholesale spread decreased 1.6 cents for beef and 1.4 cents for pork.

These figures represent average relationships for the period. The data for the individual months varied around these averages. Some variation for a specific month resulted from the present series reflecting values for a specific week within the month, while the revised figures represent the average for the month. Thus, for a month of rapidly rising or falling prices, variation between the 2 methods might be quite large. A good example is the pork price-spread data for May 1967. Most of this variation, however, would be eliminated by using averages for a longer period.

Estimates obtained using the revised procedures suggest that the farmer may be receiving a higher proportion of the consumer's dollar than presently reported. They also indicate that the retailing margin may not be as large as previously reported.

Summary

New procedures for calculating beef and pork spread data are being examined. Some tentative revisions have been suggested, but are being studied to verify the new procedures. Use of monthly averages and an estimated retail shrink have been proposed. New procedures have been developed to more fully include the effect of specializing and to more accurately determine the value obtained by the farmer.

Several other studies are now in progress to further examine the current procedures and to refine the revisions presently suggested. This work should be completed in about a year. Tables comparing the present and proposed revised series indicate the directions and amounts of change for 1965-67.

In the interim period, while revisions are evaluated, official USDA price spread statistics will continue to be computed and published in the same manner as in the past.

OUTLOOK FOR MARKETING SERVICES AND IMPLICATIONS FOR FOOD PRICES 1/

One of the most noticeable and persistent trends in the food marketing system has been the tendency of marketing firms to provide increasing quantities of marketing services per unit of product. This has resulted, in part, from the changing consumer tastes and preferences. Many of the tasks of food preparation have been shifted from the home to the marketing system. One of the most noticeable examples of this trend is found in the changing consumption patterns for potatoes. Per capita consumption of fresh potatoes, where the basic preparation is done by the housewife, has declined about 25 percent during the past decade. During the same period, per capita consumption of potatoes, which require a minimum of home preparation, such as frozen, canned, and dehydrated, has more than tripled. 2/ As a result, the proportion of potatoes going into processed form has increased from 14 percent to 41 percent since 1956. Sales of prepared frozen dinners provide an equally dramatic illustration of the shift of the food preparation function from consumers to the marketing system. Sales of prepared frozen dinners increased from \$173 million in 1962 to \$336 million in 1965--or about doubled in the short period of 4 years. 3/ Sales of other prepared foods, some equally as impressive as these examples, clearly demonstrate that the marketing system is performing many of the tasks formerly done by housewives.

Away-from-home eating involves the most elaborate form of services associated with food marketing. It is difficult to establish the precise rate of growth occurring in this market due to the lack of complete data. Based on retail trade reports published by the U.S. Department of Commerce, per capita sales (in constant dollars) by public eating places increased 25 percent since 1957-59. By comparison per capita food sales by retail food stores increased 4 percent. Consumer expenditure data, however, indicate that while consumers increased their expenditures for food away-from-home, the gain was due to rising prices. 4/ On the basis of rising consumer incomes, more women employed away from home, more white collar workers, and increased vacationing and traveling among the population, it seems reasonable to conclude that the relative importance of this market has increased. One estimate indicated that over the next 10 years the size of this market will increase 75 percent compared with a population increase of 15 percent. 5/ This represents an increase in per capita consumption of about 55 percent.

It is to be noted that food preparation is not the only type of service provided by the marketing system. Food retailers provide a variety of marketing services. These include air conditioned and attractive stores, variety in merchandise offerings, grocery pickup, and large parking lots within easy walking distance to the store. In general, these services also appear to have grown over time.

1/ By Wendell E. Clement, Agricultural Economist, Marketing Economics Division, Economic Research Service, U.S. Department of Agriculture.

2/ Based on utilization reported by Crop Reporting Board, Statistical Reporting Service, USDA.

3/ Data obtained from December 1966 and earlier issues of Quick Frozen Foods, E. W. Williams Publications, Inc., Division of Cahner's Publishing Co., New York, New York.

4/ Money Value of Food Used by Households in the United States, Spring 1965, Agricultural Research Service, USDA. Preliminary Report, September 1966.

5/ Ogren, Kenneth E., Marketing Research: A Tool for Decision Making, Economic Research Service, USDA. Paper given at spring meeting of the Society for the Advancement of Food Research, Washington, D.C., April 18, 1966.

The sum of these changes result in a marketing system today that provides more services with each unit of product sold than it did in past years. Since 1940, the quantity of marketing services has increased by 100 percent while volume of food marketed increased 73 percent (figure 1). Thus, the volume of services per unit of product increased about 16 percent. This increase in volume of services is of interest because it has affected the price structure for food and has implications for farmers, marketing firms, and consumers alike.

Demand and Outlook for Marketing Services

Product innovations and technologies of processing and transportation have been the foundation for much of the increase in marketing services and are likely to be important in the future. The rate of product innovation has been quite rapid and shows no indications of abating in the future. For example, it is estimated that 55 percent of the food items on the market today were not in existence 10 years ago. The rapid rate of product innovation is also implied by the fact that retail food stores currently carry about 8,000 items compared with 5,000 ten years ago.

A second factor influencing the trend in demand for marketing services is the nature of competition between marketing firms. In recent years, there has been a trend to more nonprice competition among firms which often includes offering more marketing services. Due to some consumer resistance, some forms of nonprice competition, such as stamps and games may not grow as rapidly in the future as in the past. However, services such as variety of products offered, shopping conveniences, and more attractive stores probably will become more important.

A third reason for the growth in demand for marketing services is the entrance of more women into the labor force which created a need for foods which can be quickly and easily prepared. Women now constitute about 35 percent of the labor force compared with 30 percent in 1950. In absolute numbers, they increased from about 18 million to 25 million.

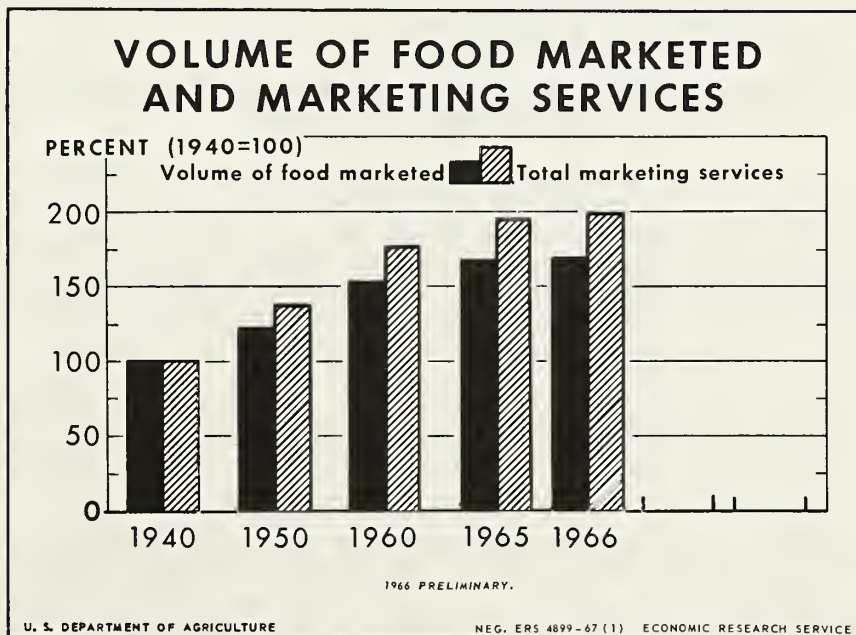


Figure 1

Fourthly, increasing affluence among the population allows consumers to accommodate their changing tastes and preferences for more services. Economists have conducted several studies to measure the impact of consumer incomes on demand for marketing services. These studies have provided estimates of income elasticities that range from 0.7 to 1.32. ^{6/} Using the more conservative of these estimates, it appears that a 10 percent increase in consumer income is associated with about a 7 percent increase in demand for marketing services. Thus, growth in consumer incomes will be a basic determinant of the direction of consumer demand for marketing services. Most economic projections show a rise in consumer real incomes throughout the 1970s. On the basis of income elasticities for marketing services and for farm food entering the marketing system, it seems likely that the demand for marketing services will increase several times as fast as the demand for food entering the system in response to income changes. The income elasticity of demand per capita for food entering the system is probably around 0.2 or 0.3 and income elasticity per capita for food use is probably even lower. Prices of marketing services also affect demand. Latest studies suggest that the price elasticity of demand for marketing services may be around -0.6 or -0.7. Historically, the real price of marketing services has remained fairly stable so that the price effect most likely will not cancel out the income effect. ^{7/}

These analyses of the nature of consumer demand for marketing services raise a number of significant questions. How will a rapid advance in use of marketing services affect the structure of food prices and farm prices? What are the implications for farmers, marketing firms, and consumers? What implications does this trend portend for public policy?

Effect on Price Structure

Civilian expenditures for food may be viewed as being comprised of 2 components--the farm value of the food and the value of marketing services. The value of the marketing services is a function of the quantity of services provided and the price of these services. Due to the fact that these 2 variables have increased at a faster rate than farm value, the value of marketing services has grown steadily in importance in the total retail price structure. Since 1953, the proportion of civilian expenditures for food attributed to marketing charges has increased from 62 percent to about 68 percent (figure 2). This trend, of course, has resulted in a decline in the farmer's share of civilian food expenditures.

Even if farm prices increase as rapidly as the price of marketing services, the farmer's share of civilian food expenditures may decline.

A partially offsetting influence in this trend could be a substantial shift by consumers in the kind of food consumed. If, for example, consumers accelerate the substitution of high farm resource using foods, such as beef, for more highly processed products, such as cereals, the declining trend in farmer's share would be retarded or stabilized. This results from the fact that the farmer's share of the consumer dollar is 60 percent for beef as compared to about 10 percent for some cereal products. Actually, such a shift has been taking place and probably will continue in the future.

The possibility of a declining farmer's share of civilian food expenditures raises basic questions relative to both the farm and marketing sectors of the economy. On the farm side, there is the question of the effect of a possible decline in farmer's

^{6/} For an example of such studies and references to others, see Daly, Rex F., "Demand for Farm Products at Retail and the Farm Level," Journal of the American Statistical Association, Vol. 53, No. 283, Sept. 1958, also Waldorf, William H., "The Demand for and Supply of Food Marketing Services: An Aggregate View," Journal of Farm Economics, Vol. 48, No. 1, February 1966.

^{7/} Ibid. Waldorf.

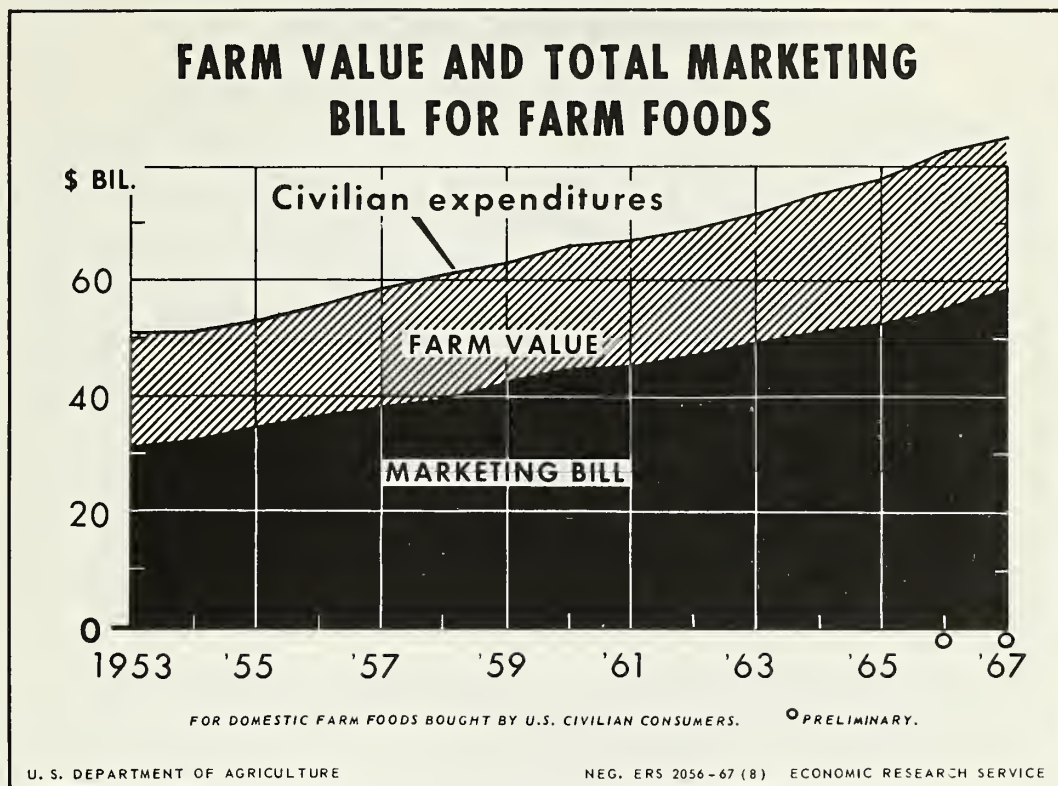


Figure 2

share on net farm income? On the marketing side, there is the difficult question of whether consumers want the services provided by the system and whether the system is providing these services efficiently? Additionally, there is the question of whether the system is competitive enough to insure that farmer's share is not changing solely due to the exercise of economic power by marketing firms? These questions will be difficult to answer but are important in understanding the meaning and impact of a change in farmer's share of civilian food expenditures.

Retail Price Behavior

The changing demand for marketing services implies that the future level of retail food prices and our ability to hold the line on food costs will continue to depend more upon cost and efficiency in the marketing and processing of foods than upon farm prices.

Retail prices for food have been tied to price movements of the overall economy for many years. This relationship will likely become even more pronounced in the future. These points may be demonstrated by the price structure for bread. The farmer's share of the retail price of bread is so small that it would require a price reduction of more than 30 percent in the farm value of wheat to reduce the retail price of bread by 1 cent per loaf. It seems that in the long run more foods will tend toward this kind of price structure, reducing the impact of farm price on retail price.

It can also be observed that the farm value of wheat in bread has changed little in the past 20 years. Yet, the retail price of bread has risen steadily (figure 3). This has resulted from the fact that the price of marketing services comprises the major component of the retail price and has been steadily rising.

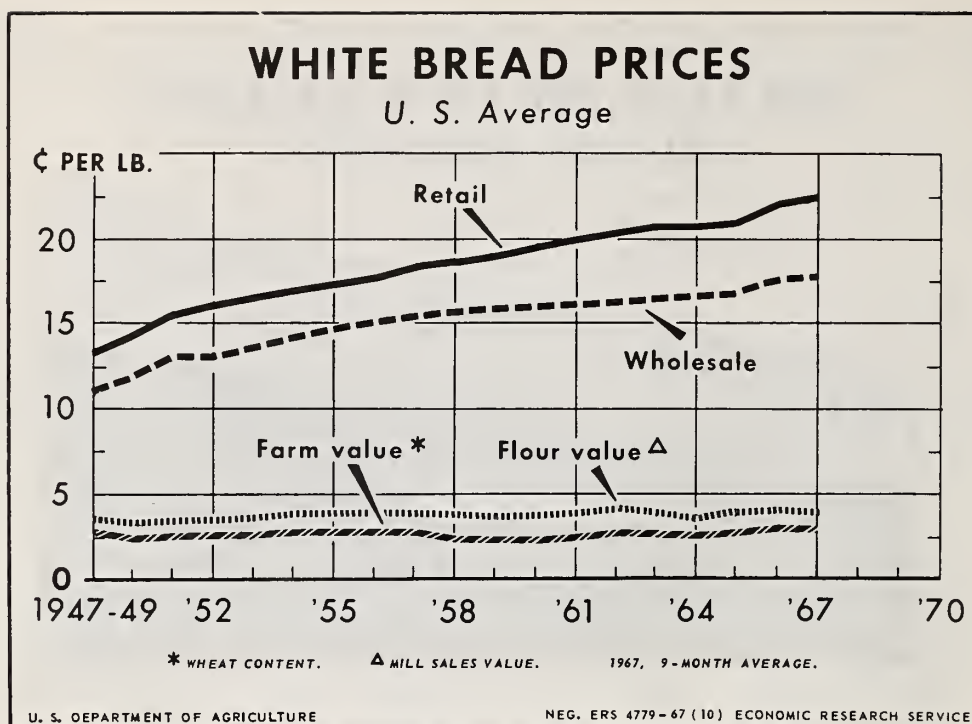


Figure 3

Comparisons of price of food at home with price of food away from home give further evidence on this point. Until recently, the price index for food at home has been somewhat below the consumer price index for all consumer goods and services. The exception was during the Korean conflict (figure 4). On the other hand, food away from home, which involves considerably more services, has increased at a much faster rate than the consumer price index.

The growing importance of marketing services puts substantial pressure on the marketing system to reduce costs because prices of the inputs they purchase have generally risen with the overall economy.

Labor costs which comprise about 42 percent of the marketing bill, reflect the continuous advance in average hourly earnings. Since 1957-59 labor costs per hour in food marketing establishments increased about 39 percent. However, due to increased output per man-hour unit labor costs increased only 14 percent.

Prices of other inputs bought by marketing firms have also increased. Intermediate goods and services have increased about 12 percent over the 1957-59 period. Services which include such items as rent, property, insurance and maintenance, and telephone service increased the most or about 23 percent since 1957-59. The rising costs of inputs used by marketing firms will continue to put pressure on the system to find more efficient ways of moving food from farm to consumer. Some progress has been made in offsetting rising cost levels as reflected by increases in output per man-hour in food marketing since 1957-59. But even with these improvements, the marketing system has not been able to completely offset increased costs of inputs. The implications seem clear that the future level and direction of food prices will largely depend upon growth in consumer buying power and in the performance of marketing firms in coping with the problem of rising cost levels.

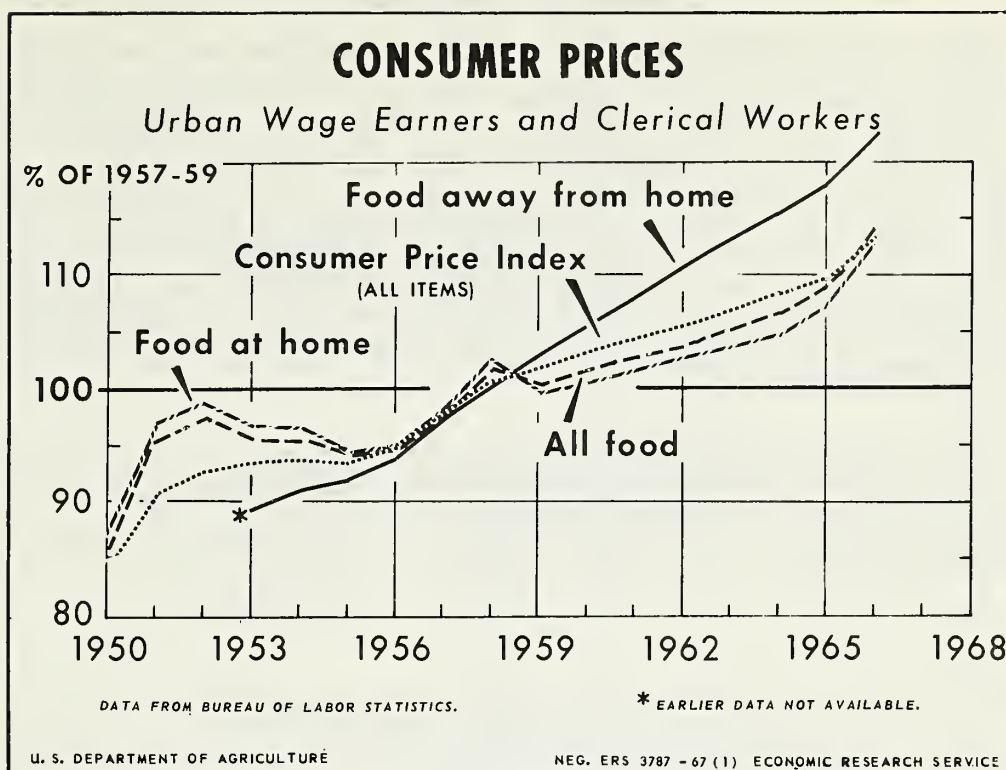


Figure 4

Public Policy

Events of recent years have demonstrated that when farm prices are low or retail food prices high, questions arise as to the cause of changing prices. Since the cost of marketing services will probably become a larger component of food prices, the performance of the marketing system will become a more important issue in the future. More specifically, interest centers on such matters as whether the system is: (1) equitably distributing the sales proceeds among those who participate in the production and marketing of food, (2) progressive in terms of finding better and more efficient ways of doing things, and (3) incurring unnecessary costs which provide no utility to consumers.

As marketing firms search for ways of increasing efficiency, there probably will be as many changes in the future as in the past. Many of these changes will likely be made to adapt to new technology and to achieve better performance. The impact of other changes may not be so apparent. It seems clear, however, that better measures of performance are needed to better appraise the impact of these changes on food costs and efficiency. Moreover, better performance measures are needed to provide insights into the kinds of enterprise organization and structural arrangements which tend to promote efficiency, equity and progressiveness. Basic economic problems such as ease of entry, integration, market power, economies of scale and functioning of the pricing mechanism will continue to be important. Public policy requires that these issues be thoroughly and competently analyzed if the most desirable economic institutions of the future are to be shaped.

SELECTED NEW PUBLICATIONS

1. "Demand and Price Analysis for Potatoes," by Olman Hee, U.S. Dept. Agr., Econ. Res. Ser., Tech. Bull.-1380, July 1967.
2. "Developments In Marketing Spreads for Agricultural Products in 1966," [Reprinted from Hearings Before the Subcommittee of the Committee on Appropriations, United States House of Representatives, Ninetieth Congress, First Session] U.S. Dept. Agr., Econ. Res. Ser., ERS-14 (1967), Aug. 1967.
3. "Shippers' Services and Costs in Marketing United States Cotton," by William F. Harris, University of Texas, Cotton Economic Research, RES. Rpt.-87, May 1967. (U.S. Dept. Agr., Econ. Res. Ser. cooperating.) (Copies may be obtained from the University of Texas, Austin, Texas.)
4. "Structural Changes in the Oklahoma and Texas Grain Marketing Industries, 1959-1964," by James L. Driscoll and James E. Martin, Okla. State Univ. Agr. Expt. Sta., Processed Series P-571, Aug. 1967. (U.S. Dept. Agr., Econ. Res. Ser. cooperating.) Oklahoma State University Experiment Station, Stillwater, Okla. [Transportation Supplement to Processed Series P-571, Aug. 1967 is also available.]
5. "Yarn Sizing Market for Cereal Starch," by Clarence A. Moore, U.S. Dept. Agr., Econ. Res. Ser. (Reprinted from Cereal Science Today, Vol. 12, No. 8, 1967.) [Copies may be obtained from U.S. Dept. Agr., Wash., D.C. 20250.]

: Unless otherwise indicated, items listed are Economic Research Service publications :
 : and single copies may be obtained free from the Division of Information, Office of :
 : Management Services, U.S. Department of Agriculture, Washington, D.C., 20250. :
 : Publications issued by State Agricultural Experiment Stations may be obtained from :
 : the issuing Station. :

Table 12.--Apples: Retail price, farm value, farm-retail spread, and farmer's share of retail price, annual 1957-66, quarterly 1966/67
 (Revision of table 27, page 27 of Farm-Retail Spreads for Food Products, 1947-64, U.S. Dept. Agri., ERS-226. Revision resulted from revised prices received by farmers for apples as reported by the Statistical Reporting Service. Revised data not available prior to 1957.)

Year and quarter	Retail price per pound	Farm value ^{1/}	Farm-retail spread	Farmer's share
	Cents	Cents	Cents	Percent
1957	17.5	6.0	11.5	34
1958	16.0	4.6	11.4	29
1959	14.8	4.5	10.3	30
1957-59 average	16.1	5.0	11.1	31
1960	17.1	6.1	11.0	36
1961	18.1	6.6	11.5	36
1962	17.1	6.1	11.0	36
1963	17.8	5.9	11.9	33
1964	17.7	5.7	12.0	32
1965	17.7	5.9	11.8	33
1966	19.5	6.7	12.8	34
<u>1966</u>				
Jan.-Mar.	17.0	7.1	9.9	42
Apr.-June	20.7	8.2	12.5	40
July-Sept.	23.3	5.8	17.5	25
Oct.-Dec.	17.2	5.8	11.4	34
<u>1967</u>				
Jan.-Mar.	18.6	6.3	12.3	34
Apr.-June	20.8	7.6	13.2	37
July-Sept.	23.6	6.8	16.8	29
Oct.-Dec.				

^{1/} Payment to farmer for 1.08 lb. of apples for 1957/58; quantity gradually reduced to 1.04 lb. in 1964.

Table 13.--Farm food products: Retail cost, farm value of equivalent quantities sold by producers, byproduct allowance, farm-retail spread, and farmer's share of retail cost, July-September 1967

Product 1/	Farm equivalent	Retail unit	Retail cost 2/	Gross farm value	Byproduct allowance	Net farm value 3/	Farm-retail spread	Farmer's share
			Dollars	Dollars	Dollars	Dollars	Dollars	Percent
Market basket			1,092.85	---	---	426.15	666.70	39
Meat products			323.45	---	---	177.72	145.73	55
Dairy products			195.86	---	---	93.32	102.54	48
Poultry and eggs			81.95	---	---	43.21	38.74	53
Bakery and cereal products 4/								
All ingredients	Farm produce equivalent to products bought	Average quantities purchased	per urban wage-earner	per urban wage-earner	per urban wage-earner	per urban wage-earner	per urban wage-earner	per urban wage-earner
Grain	per urban wage-earner and clerical-worker household in 1960-61	per urban wage-earner and clerical-worker household in 1960-61	168.80	31.67	5.22	33.95	134.85	21
All fruits and vegetables			235.87	---	---	58.62	177.25	25
Fresh fruits and vegetables			120.18	---	---	37.33	82.85	31
Fresh fruits			48.89	---	---	14.61	34.28	30
Fresh vegetables			71.29	---	---	22.72	48.57	32
Processed fruits and vegetables			115.69	---	---	21.29	94.40	18
Fats and oils			38.56	---	---	10.51	28.05	27
Miscellaneous products			48.36	---	---	8.82	39.54	18
			Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade	2.25 lb. Choice grade cattle	Pound	84.9	56.5	5.1	51.4	33.5	61
Lamb, Choice grade	2.37 lb. lamb	Pound	89.9	53.7	4.8	48.9	41.0	54
Pork	2.00 lb. hogs	Pound	69.3	43.0	4.9	38.1	31.2	55
Butter	Cream and whole milk	Pound	82.8	---	---	60.9	21.9	74
Cheese, American process	Milk for American cheese	1/2 pound	43.3	---	---	18.6	24.7	43
Ice cream	Cream, milk, and sugar	1/2 gallon	81.0	---	---	25.5	55.5	31
Milk, evaporated	Milk for evaporating	1 1/4-ounce can	16.8	---	---	7.9	8.9	47
Milk, fresh								
Home delivered	4.39 lb. Class I milk	1/2 gallon	57.5	---	---	25.6	31.9	45
Sold in stores	4.39 lb. Class I milk	1/2 gallon	51.5	---	---	25.6	25.9	50
Chickens, frying, ready-to-cook	1.37 lb. broiler	Pound	38.9	---	---	18.4	20.5	47
Eggs, Grade A large	1.03 dozen	Dozen	48.4	---	---	28.8	19.6	60
Bread, white								
All ingredients	Wheat and other ingredients	Pound	22.1	---	---	3.4	18.7	15
Wheat .....	.877 lb. wheat	Pound	---	3.1	4	2.7	---	12
Bread, whole or cracked wheat .....	.708 lb. wheat	Pound	29.8	---	---	3.2	26.6	11
Cookies, sandwich .....	.528 lb. wheat	Pound	51.4	---	---	4.4	47.0	9
Corn flakes	2.87 lb. yellow corn	12 ounces	31.4	5/6.0	5/3.3	5/2.7	28.7	9
Flour, white	6.8 lb. wheat	5 pounds	59.4	24.4	2.8	21.6	37.8	36
Apples	1.04 lb. apples	Pound	23.6	---	---	6.8	16.8	29
Grapefruit	1.03 grapefruit	Each	16.1	---	---	4.3	11.8	27
Lemons	1.04 lb. lemons	Pound	23.3	---	---	7.6	15.7	33
Oranges	1.03 doz. oranges	Dozen	78.6	---	---	19.1	59.5	24
Cabbage	1.08 lb. cabbage	Pound	10.5	---	---	2.8	7.7	27
Carrots	1.03 lb. carrots	Pound	16.4	---	---	5.9	10.5	40
Celery	1.08 lb. celery	Pound	18.0	---	---	6.6	11.4	37
Cucumbers	1.09 lb. cucumbers	Pound	20.6	---	---	7.2	13.4	35
Lettuce	1.88 lb. lettuce	Head	29.8	---	---	8.7	21.1	29
Onions	1.06 lb. onions	Pound	13.8	---	---	4.3	9.5	31
Peppers, green	1.09 lb. peppers	Pound	34.9	---	---	11.6	23.3	33
Potatoes	10.42 lb. potatoes	10 pounds	81.2	---	---	24.1	57.1	30
Spinach .....	.71 lb. spinach	10 ounces	31.1	---	---	8.1	23.0	26
Tomatoes	1.18 lb. tomatoes	Pound	36.5	---	---	14.4	22.1	39
Peaches, canned	1.60 lb. Calif. cling peaches	No. 2 1/2 can	31.9	---	---	5.7	26.2	18
Pears, canned	1.85 lb. pears for canning	No. 2 1/2 can	45.2	---	---	10.5	34.7	23
Beets, canned	1.24 lb. beets for canning	No. 303 can	17.9	---	---	1.2	16.7	7
Corn, canned	2.495 lb. sweet corn	No. 303 can	23.2	---	---	2.8	20.4	12
Peas, canned .....	.69 lb. peas for canning	No. 303 can	24.9	---	---	3.8	21.1	15
Tomatoes, canned	1.84 lb. tomatoes for canning	No. 303 can	19.7	---	---	3.4	16.3	17
Orange juice, concentrate, frozen ..	3.10 lb. oranges	6-ounce can	17.4	---	---	4.5	12.9	26
French fried potatoes, frozen	1.38 lb. potatoes	9 ounces	15.0	---	---	2.3	12.7	15
Peas, frozen .....	.70 lb. peas for freezing	10 ounces	20.5	---	---	3.5	17.0	17
Beans, navy	1.00 lb. Mich. dry beans	Pound	18.1	---	---	7.3	10.8	40
Margarine	Soybeans, cottonseed, and milk	Pound	28.0	---	---	7.4	20.6	26
Peanut butter	1.33 lb. peanuts	12-ounce jar	44.0	---	---	15.1	28.9	34
Salad and cooking oil	Soybeans, cottonseed, and corn	Pint	53.9	---	---	12.1	41.8	22
Vegetable shortening	Soybeans and cottonseed	3 pounds	87.4	---	---	26.2	61.2	30
Sugar	Sugar beets and cane	5 pounds	60.7	23.6	1.4	6/22.2	6/38.5	37
Spaghetti with sauce, canned	Wheat, tomatoes, cheese, sugar	15 1/2-ounce can	16.4	---	---	2.1	14.3	13

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lamb)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ Preliminary.

3/ Gross farm value adjusted to exclude imputed values of byproducts obtained in processing.

4/ For the bakery products group and the individual wheat products, gross farm value, byproduct allowance, net farm value and farmer's share are based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost equals the value of the domestic marketing certificate received by farmers complying fully with the Wheat Program.

5/ Based on market price of corn received by farmers; no allowance made for price support payment received by farmers who comply with the Federal Feed Grain Program.

6/ Net farm value adjusted for Government payments to producers was 25.9 cents, farm-retail spread adjusted for Government processor tax was 35.8 cents, farmer's share of retail cost based on adjusted farm value was 43 percent.

Table 14.--Farm food products: Retail cost and farm value, July-September 1967, April-June 1967, July-September 1966, and 1957-59 average

Product 1/	Retail unit	Retail cost						Net farm value 2/					
		July-Sept. 1967		Apr.-June 1967		July-Sept. 1966		July-Sept. 1967		Apr.-June 1967		July-Sept. 1966	
		1967		1967		1966		1967		1967		1966	
		3/	4/	3/	4/	3/	4/	3/	4/	3/	4/	3/	4/
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Dollars	Dollars	Dollars	Dollars	Percent	Percent
Market basket		1,092.85	1,072.71	1,111.95	982.65	2	-2	426.15	4/408.19	454.59	387.87	4	-6
Meat products		323.45	311.94	329.94	285.05	4	-2	177.72	4/162.28	183.04	154.47	10	-3
Dairy products	Average quantities purchased	195.86	195.61	193.68	173.33	5/	1	93.32	4/92.39	93.39	77.85	1	5/
Poultry and eggs	per urban wage-earner and	81.95	79.32	93.77	93.02	3	-13	43.21	41.00	54.29	56.28	5	-20
Bakery and cereal products 6/													
All ingredients	clerical-worker household in 1960-61	168.80	170.12	168.42	148.40	-1	5/	33.95	35.95	38.92	30.55	-6	-13
Grain		---	---	---	---	---	---	26.45	28.13	30.37	23.40	-6	-13
All fruits and vegetables		235.87	228.62	239.48	202.96	3	-2	58.62	4/56.02	62.53	50.05	5	-6
Fresh fruits and vegetables ..		120.18	113.49	119.87	91.15	6	5/	37.33	4/35.70	38.72	28.70	5	-4
Fresh fruits		48.89	43.48	50.34	36.26	12	-3	14.61	4/13.13	15.58	12.26	11	-6
Fresh vegetables		71.29	70.01	69.53	54.89	2	3	22.72	22.57	23.15	16.44	1	-2
Processed fruits and vegetables		115.69	115.13	119.61	111.81	5/	-3	21.29	4/20.32	23.80	21.35	5	-11
Fats and oils		38.56	38.97	39.20	37.56	-1	-2	10.51	4/11.67	13.47	11.19	-10	-22
Miscellaneous products		48.36	48.13	47.46	42.33	5/	2	8.82	8.88	8.95	7.48	-1	-1
		Cents	Cents	Cents	Cents	Percent	Percent	Cents	Cents	Cents	Cents	Percent	Percent
Beef, Choice grade	Pound	84.9	82.6	84.3	78.1	3	1	51.4	48.0	49.0	48.3	7	5
Lamb, Choice grade	Pound	89.9	85.5	86.5	70.0	5	4	48.9	48.7	45.2	40.2	5/	8
Pork	Pound	69.3	65.8	73.4	60.5	5	-6	38.1	33.6	43.2	31.0	13	-12
Butter	Pound	82.8	83.0	84.8	73.2	5/	-2	60.9	60.5	65.6	52.6	1	-7
Cheese, American process	1/2 pound	43.3	43.8	43.0	32.3	-1	1	18.6	18.6	19.7	14.2	0	-6
Ice cream	1/2 gallon	81.0	81.3	81.5	84.2	5/	-1	25.5	25.5	27.1	23.4	0	-6
Milk, evaporated	14 1/2-ounce can	16.8	16.9	16.2	14.5	-1	4	7.9	8.0	8.0	6.2	-1	-1
Milk, fresh													
Home delivered	1/2 gallon	57.5	56.9	56.4	50.8	1	2	25.6	25.1	24.5	21.9	2	4
Sold in stores	1/2 gallon	51.5	51.3	50.7	46.6	5/	2	25.6	25.1	24.5	21.9	2	4
Chickens, frying, ready-to-cook ..	Pound	38.9	38.1	42.1	43.5	2	-8	18.4	18.5	21.2	24.4	-1	-13
Eggs, Grade A large	Dozen	48.4	46.0	59.7	56.2	5	-19	28.8	25.6	39.6	36.1	12	-27
Bread, white													
All ingredients	Pound	22.1	22.5	22.5	18.5	-2	-2	3.4	3.6	3.8	3.0	-6	-11
Wheat	Pound	---	---	---	---	---	---	2.7	2.9	3.2	2.4	-7	-16
Bread, whole or cracked wheat ..	Pound	29.8	29.7	29.2	---	5/	2	3.2	3.4	3.6	---	-6	-11
Cookies, sandwich	Pound	51.4	51.7	51.3	---	-1	5/	4.4	4.6	4.9	---	-4	-10
Corn flakes	12 ounces	31.4	31.5	30.2	24.5	5/	4	2.7	2.9	2.9	2.4	-7	-7
Flour, white	5 pounds	59.4	60.0	59.5	53.3	-1	5/	21.6	22.9	25.0	18.8	-6	-14
Apples	Pound	23.6	20.8	23.3	16.1	13	1	6.8	4/7.6	5.8	4.7	-11	17
Grapefruit	Each	16.1	12.1	17.5	10.7	33	-8	4.3	1.8	4.9	2.7	14	-12
Lemons	Pound	23.3	23.8	24.1	18.4	-2	-3	7.6	6.5	6.6	4.2	17	15
Oranges	Dozen	78.6	70.7	83.7	66.0	11	-6	19.1	12.8	27.1	23.2	49	-30
Cabbage	Pound	10.5	11.9	12.0	8.7	-12	-12	2.8	3.5	4.3	2.4	-20	-35
Carrots	Pound	16.4	15.2	17.2	14.5	8	-5	5.9	5.1	5.6	3.7	16	5
Celery	Pound	18.0	16.1	18.4	15.3	12	-2	6.6	5.5	6.9	4.4	20	-4
Cucumbers	Pound	20.6	25.1	20.0	---	-18	3	7.2	9.1	7.0	---	-21	3
Lettuce	Head	29.8	30.5	28.4	22.6	-2	5	8.7	12.5	10.6	6.0	-30	-18
Onions	Pound	13.8	13.8	14.9	10.1	0	-7	4.3	3.9	5.5	3.4	10	-22
Peppers, green	Pound	34.9	40.9	33.1	---	-15	5	11.6	15.3	11.8	---	24	-2
Potatoes	10 pounds	81.2	73.0	77.1	58.3	11	5	24.1	19.6	21.2	17.8	23	14
Spinach	10 ounces	31.1	30.2	30.3	---	3	3	8.1	5.9	8.1	---	37	0
Tomatoes	Pound	36.5	36.1	32.3	30.1	1	13	14.4	11.6	11.7	10.6	24	23
Peaches, canned	No. 2 1/2 can	31.9	31.5	34.7	34.3	1	-8	5.7	5.5	5.5	6.1	4	8
Pears, canned	No. 2 1/2 can	45.2	42.9	47.8	---	5	-5	10.5	7.2	9.7	---	46	8
Beets, canned	No. 303 can	17.9	17.8	17.5	---	1	2	1.2	1.2	1.2	---	0	0
Corn, canned	No. 303 can	23.2	22.8	22.4	17.8	2	4	2.8	2.7	2.7	2.4	4	4
Peas, canned	No. 303 can	24.9	25.0	24.2	21.0	5/	3	3.8	3.7	3.7	3.1	3	3
Tomatoes, canned	No. 303 can	19.7	19.4	17.9	15.6	2	10	3.4	3.3	3.4	2.3	3	0
Orange juice, concentrate, frozen ..	6-ounce can	17.4	17.7	23.1	23.4	-2	-25	4.5	4.3	8.6	8.2	5	-48
French fried potatoes, frozen ..	9 ounces	15.0	15.1	15.8	---	-1	-5	2.3	2.3	2.7	---	0	-15
Peas, frozen	10 ounces	20.5	20.5	20.0	19.9	0	2	3.5	3.5	3.5	3.2	0	0
Beans, navy	Pound	18.1	18.0	19.9	16.3	1	-9	7.3	6.4	6.8	6.9	14	7
Margarine	Pound	28.0	28.5	28.8	27.4	-2	-3	7.4	8.4	9.6	7.8	-12	-23
Peanut butter	12-ounce jar	44.0	44.3	45.1	41.4	-1	-2	15.1	14.9	15.0	14.1	1	1
Salad and cooking oil	Pint	53.9	54.2	53.3	---	-1	1	12.1	4/13.9	16.2	---	-13	-25
Vegetable shortening	3 pounds	87.4	87.9	89.5	90.4	-1	-2	26.2	29.8	35.2	28.2	-12	-26
Sugar	5 pounds	60.7	60.5	60.3	54.5	5/	1	22.2	22.2	21.7	20.2	0	2
Spaghetti with sauce, canned	15 1/2-ounce can	16.4	16.3	15.8	---	1	4	2.1	2.1	2.2	---	0	-5

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ Gross farm value adjusted to exclude imputed value of byproducts obtained in processing.

3/ Preliminary.

4/ Most retail cost figures for April-June 1967, July-September 1967, and farm value figures for July-September 1966 have been revised; figures in other columns revised as indicated.

5/ Less than 0.5 percent.

6/ For the bakery products group and the individual wheat products, the net farm value is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost equals the value of the domestic marketing certificate received by farmers complying fully with the Wheat Program.

Table 15.--Farm food products: Farm-retail spread and farmer's share of the retail cost, July-September 1967, April-June 1967, July-September 1966, and 1957-59 average

Product 1/	Retail unit	Farm-retail spread 2/						Farmer's share			
		July-Sept. 1967	Apr.-June 1967	July-Sept. 1966	1957-59 average	Percentage change from July-Sept. 1967		July-Sept. 1967	Apr.-June 1967	July-Sept. 1966	1957-59 average
		3/	4/	4/	4/	Apr.-June 1967	July-Sept. 1966	1967	1967	1966	1966
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent	Percent	Percent
Market basket		666.70	664.52	657.36	594.78	5/	1	39	38	41	39
Meat products		145.73	149.66	146.90	130.58	-3	-1	55	52	55	54
Dairy products		102.54	103.22	100.29	95.48	-1	2	48	47	48	45
Poultry and eggs		38.74	38.32	39.48	36.74	1	-2	53	52	58	61
Bakery and cereal products 6/											
All ingredients	Average quantities purchased per urban wage-earner and	134.85	134.17	129.50	117.85	1	4	21	21	23	21
Grain	clerical-	---	---	---	---	---	---	16	17	18	16
All fruits and vegetables	worker	177.25	172.60	176.95	152.91	3	5/	25	25	26	25
Fresh fruits and vegetables	household	82.85	77.79	81.15	62.45	7	2	31	31	32	31
Fresh fruits	in	34.28	30.35	34.76	24.00	13	-1	30	30	4/31	34
Fresh vegetables	1960-61	48.57	47.44	46.38	38.45	2	5	32	32	33	30
Processed fruits and vegetables		94.40	94.81	95.81	90.46	5/	-1	18	18	20	19
Fats and oils		28.05	27.30	25.73	26.37	3	9	27	30	4/34	30
Miscellaneous products		39.54	39.25	38.51	34.85	1	3	18	18	19	18
		Cents	Cents	Cents	Cents	Percent	Percent	Percent	Percent	Percent	Percent
Beef, Choice grade	Pound	33.5	34.6	35.3	29.8	-3	-5	61	58	58	62
Lamb, Choice grade	Pound	41.0	36.8	41.3	29.8	11	-1	54	57	52	57
Pork	Pound	31.2	32.2	30.2	29.5	-3	3	55	51	4/59	51
Butter	Pound	21.9	22.5	19.2	20.6	-3	14	74	73	77	72
Cheese, American process	1/2 pound	24.7	25.2	23.3	18.1	-2	6	43	42	46	44
Ice cream	1/2 gallon	55.5	55.8	54.4	60.8	-1	2	31	31	33	28
Milk, evaporated	14 1/2-ounce can	8.9	8.9	8.2	8.3	0	9	47	47	49	43
Milk, fresh											
Home delivered	1/2 gallon	31.9	31.8	31.9	28.9	5/	0	45	44	43	43
Sold in stores	1/2 gallon	25.9	26.2	26.2	24.7	-1	-1	50	49	48	47
Chickens, frying, ready-to-cook ..	Pound	20.5	19.6	20.9	19.1	5	-2	47	49	50	56
Eggs, Grade A large	Dozen	19.6	20.4	20.1	20.1	-4	-2	60	56	66	64
Bread, white											
All ingredients	Pound	18.7	18.9	18.7	15.5	-1	0	15	16	4/17	16
Wheat	Pound	---	---	---	---	---	---	12	13	14	13
Bread, whole or cracked wheat ..	Pound	26.6	26.3	25.6	---	1	4	11	11	4/12	---
Cookies, sandwich	Pound	47.0	47.1	46.4	---	2/	1	9	9	10	---
Corn flakes	12 ounces	28.7	28.6	27.3	22.1	2/	5	9	9	10	10
Flour, white	5 pounds	37.8	37.1	34.5	34.5	2	10	36	38	42	35
Apples	Pound	16.8	13.2	17.5	11.4	27	-4	29	37	4/25	29
Grapefruit	Each	11.8	10.3	12.6	8.0	15	-6	27	15	5/28	25
Lemons	Pound	15.7	17.3	17.5	14.2	-9	-10	33	27	5/27	23
Oranges	Dozen	59.5	57.9	56.6	42.8	3	5	24	18	5/32	35
Cabbage	Pound	7.7	8.4	7.7	6.3	-8	0	27	29	36	28
Carrots	Pound	10.5	10.1	11.6	10.8	4	-9	40	34	33	26
Celery	Pound	11.4	10.6	11.5	10.9	8	-1	37	34	38	29
Cucumbers	Pound	13.4	16.0	13.0	---	-16	3	35	36	35	---
Lettuce	Head	21.1	18.0	17.8	16.6	17	19	29	41	37	27
Onions	Pound	9.5	9.9	9.4	6.7	-4	1	31	28	37	34
Peppers, green	Pound	23.3	25.6	21.3	---	-9	9	33	37	36	---
Potatoes	10 pounds	57.1	53.4	55.9	40.5	7	2	30	27	4/27	31
Spinach	10 ounces	23.0	24.3	21.5	---	-5	7	26	20	27	---
Tomatoes	Pound	22.1	24.5	20.6	19.5	-10	7	39	32	36	35
Peaches, canned	No. 2 1/2 can	26.2	26.0	29.2	28.2	1	-10	18	17	16	18
Pears, canned	No. 2 1/2 can	34.7	35.7	38.1	---	-3	-9	23	17	20	---
Beets, canned	No. 303 can	16.7	16.6	16.3	---	1	2	7	7	7	---
Corn, canned	No. 303 can	20.4	20.1	19.7	15.4	1	4	12	12	12	13
Peas, canned	No. 303 can	21.1	21.3	20.5	17.9	-1	3	15	15	15	15
Tomatoes, canned	No. 303 can	16.3	16.1	14.5	13.3	1	12	17	17	19	15
Orange juice, concentrate, frozen	6-ounce can	12.9	13.4	14.5	15.2	-4	-11	26	24	37	35
French fried potatoes, frozen ..	9 ounces	12.7	12.8	13.1	---	-1	-3	15	15	17	---
Peas, frozen	10 ounces	17.0	17.0	16.5	16.7	0	3	17	17	18	16
Beans, navy	Pound	10.8	11.6	13.1	9.4	-7	-18	40	36	34	42
Margarine	Pound	20.6	20.1	18.9	19.6	2	9	26	29	4/33	28
Peanut butter	12-ounce jar	28.9	29.4	30.1	27.3	-2	-4	34	34	33	34
Salad and cooking oil	Pint	41.8	40.3	37.1	---	4	13	22	26	4/30	---
Vegetable shortening	3 pounds	61.2	58.1	54.3	62.2	5	13	30	34	39	31
Sugar	5 pounds	38.5	38.3	38.6	34.3	1	5/	37	37	36	37
Spaghetti with sauce, canned ..	15 1/2-ounce can	14.3	14.2	13.6	---	1	5	13	13	14	---

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ The farm-retail spread is the difference between the retail cost and the net farm value shown in table on opposite page.

3/ Preliminary.

4/ Most farm-retail spread figures for April-June 1967, July-September 1966, and farmer's share April-June 1967 have been revised; figures in other columns revised as indicated.

5/ Less than 0.5 percent.

6/ For the bakery products group and the individual wheat products, the farmer's share is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost equals the value of the domestic marketing certificate received by farmers complying fully with the Wheat Program.

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